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SUPREME COURT: Who Is Clarence Thomas?
YUGOSLAVIA: Is Anyone in Charge?

TIME



Misleading Labels

Why Americans
don't know what
they're eating

28

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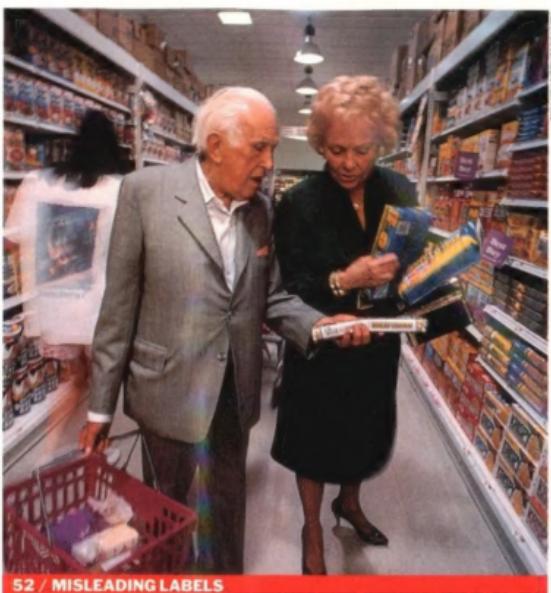
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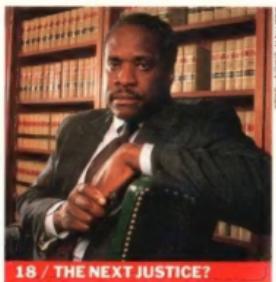
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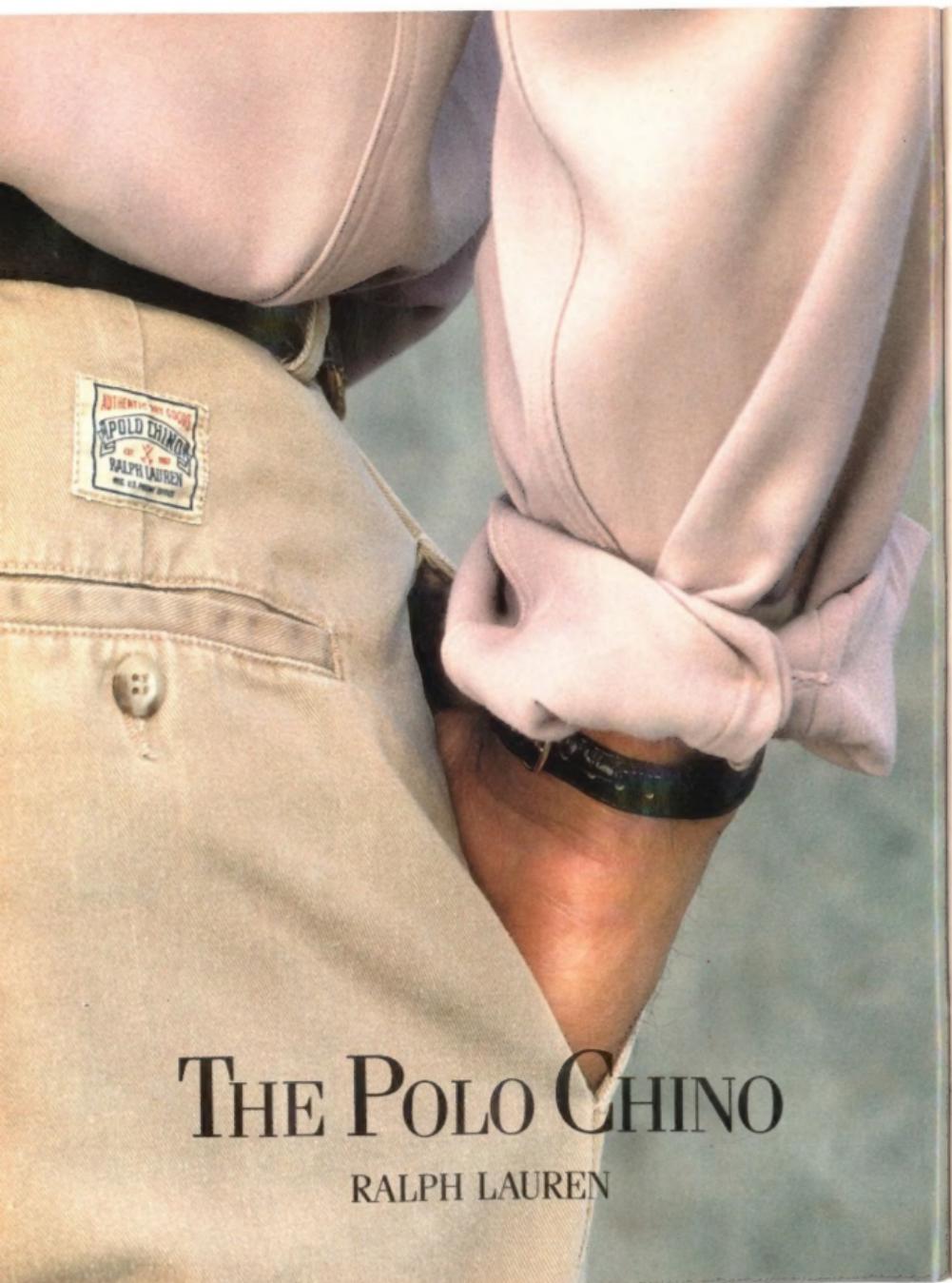


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PHOTO BY MICHAEL KLEIN FOR TIME

PHOTO BY MICHAEL KLEIN FOR TIME

PHOTO BY MICHAEL KLEIN FOR TIME



THE POLO CHINO

RALPH LAUREN

FROM THE MANAGING EDITOR

This space is usually reserved for the publisher of TIME, but on occasion I take the liberty of borrowing it. This is one such occasion. I'm very pleased to introduce our new publisher, Elizabeth P. Valk. She succeeds Robert L. Miller, who will be moving to California as president of Time Publishing Ventures, parent organization of the Time Inc. magazines that are not based in New York City.

The relationship between TIME's publisher and managing editor is very special. They are equals, with the publisher being responsible for the magazine's financial well-being and the M.E. for its editorial content and quality. We usually refer to this division, in which neither lightly intrudes on the other's responsibilities, as "church and state." The separation is anything but a source of divisiveness. Instead, it serves as proof that good fences make good neighbors, enabling publisher and managing editor to work as partners toward common goals. That mutual trust is one of the pillars of the success that Time Inc. magazines have enjoyed; it is essential for TIME as the magazine faces the challenges of journalism in the '90s.

Lisa Valk, 41, knows TIME well. This will be her third tour with the magazine; as she said the other day, "It's almost like coming home." A native of Winston-Salem, N.C., she studied political science at Virginia's Hollins College, where she proudly serves as a trustee. After working as a hospital administrator in Boston, she enrolled at Harvard's Graduate School of Business Administration and in 1979 joined TIME's circulation staff. Six years later, after stints with two of our sister magazines, *TIME* and *SPORTS ILLUSTRATED*, she returned to *TIME* as circulation director, where she helped ensure that *TIME* maintained



New publisher Lisa Valk: "It's almost like coming home."

The separation of "church and state" serves as proof that good fences make good neighbors

the number of subscribers that it guaranteed to advertisers. On the strength of her strong performance in that job, Valk was named publisher of *LIFE* in 1986 and then of *PEOPLE* in 1988. She is the first executive to have served as publisher of three Time Inc. magazines.

We will miss Bob Miller's hand at the business helm. In his four years at *TIME* he brought intelligence and vigor to the magazine's worldwide activities, demanding the best of us all. I'm delighted to have Lisa as my new partner.

H. Miller

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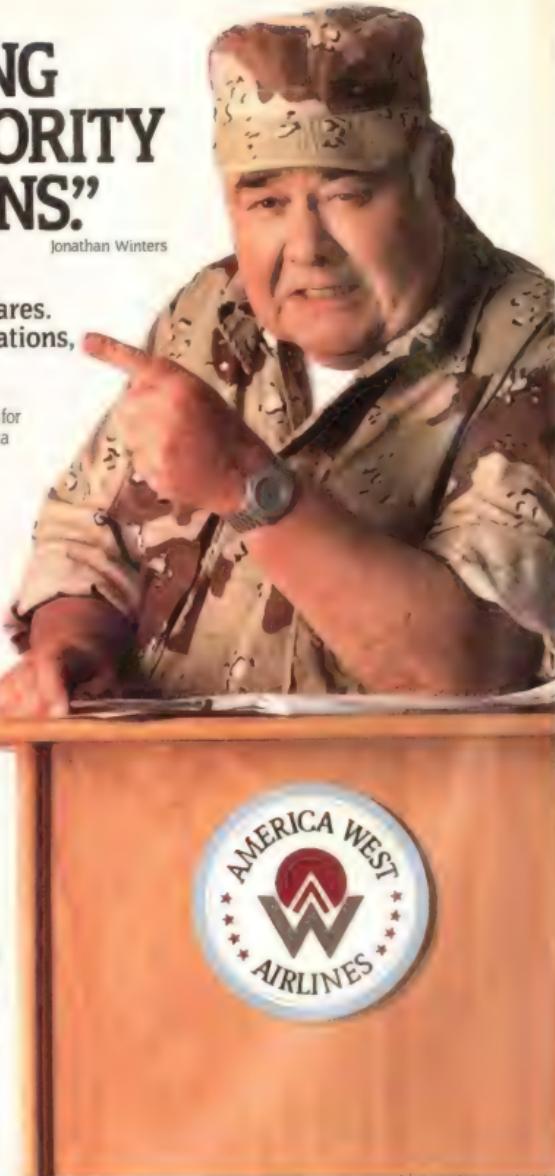
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.....THE FIRST 24 HOUR ALLERGY RELIEVER.

LETTERS

Random House is to be congratulated for publishing the first comprehensive work on an important new language. Femlish. Or is it Hersperanto?

Brian Murray
O'Connor, Australia

Dictionaries like ours record both old and new usages in the language. We have no political axe to grind. If a word or meaning appears in a variety of sources over a period of years (even words like *tertory*, *womyn*, *lite*, *gotcha* and *humankind*), we dutifully put it in the dictionary. It is a ridiculous notion that we included certain words because we have succumbed to the "influence of special-interest groups, prominently feminists and minorities."

Sol Steinmetz, Executive Editor
Random House Dictionaries
New York City

It is amusing to find an example of sexism in the unabridged Webster's *Third New International Dictionary*: *counterman* ("one that serves food over the counter of a cafeteria or lunchroom"), *counterboy* ("a boy who does the work of a counterman") and, finally, the *coup de grâce*, *countergirl* ("a girl counterman").

James B. Hobbs
Bethlehem, Pa.

Car Cacophony

Your splendid piece on the urban ills provoked by automobile alarms [LIVING, June 24] missed only one point: meandering youth groups who, momentarily bored with writing graffiti, walk the city streets kicking the fenders of every parked car, thereby setting off an unbelievable cacophony that ensures no one will ever take the sirens seriously.

J. Speed Carroll
New York City

After a second break-in of my car, I had one of those siren alarm systems installed. Since then, there have been no successful break-ins. While I may have lost 15 or 20 minutes of sleep when the alarm went off, I think that's better than losing half a day of my time to get a window replaced or the car interior repaired.

William D. Davenport Jr.
Metairie, La.

Angry Author

Stefan Kanfer's ad hominem review of my book *Chutzpah* showed real chutzpah [BOOKS, June 24]. Kanfer never even informs the reader of its thesis: that American Jews still regard themselves as guests in someone else's land and must be more assertive about insisting on first-class status. Nor does he mention the book's chapters on Israel, the Holocaust, the Pollard case, separation of church and state, and

other issues of pressing concern. Kanfer has the right not to like me, but he has the obligation to be fair to your readers and mine about the book he is reviewing. You apparently have a schlemiel for a reviewer.

Alan M. Dershowitz
Harvard Law School
Cambridge, Mass.

Corrections

Our story on infomercials, the program-length commercials that are now filling late-night TV time [VIDEO, June 17], mistakenly said the Guthy-Renker Corp. produced a 30-minute ad for a Kitchenmate hand mixer. That infomercial was produced by Quantum Marketing. Also, one of the photographs accompanying the story was miscaptioned. We showed Mike Levey, host of an *Amazing Discoveries* infomercial, and said he was making the case for a set of instructional tapes, *Where There's a Will, There's an A*. The infomercials for these tapes have no connection with *Amazing Discoveries*.

Stories of the Year

So far this year, we've had two cover stories that have generated extraordinary response from our readers. They are Lance Morrow's *Essay on the existence of evil* [June 10], which has triggered 1,237 letters, and Richard Behar's investigative report "Scientology: The Cult of Greed," which has moved some 900 readers to write [May 6]. Most of those responding to "Evil" just wanted to share their thoughts on the subject. That was also true of about 30% of the people who wrote us about Scientology; but 53% of them blessed us for a job well done, while 17% thought we were on the wrong track. Only 13 people sent letters to us about the Church of Scientology's ad campaign in USA Today attacking our cover story. All but one of them were on our side.

LETTERS TO THE EDITOR should be addressed to:

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GRAPEVINE

By DAVID ELLIS / Reported by Sidney Urquhart

SLOW DOWN, MR. PRESIDENT

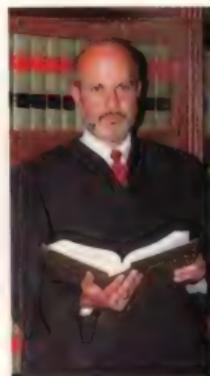
Is **GEORGE BUSH** recklessly rushing back into the swing of things? He slowed his tempo dramatically after he was found to have Graves' disease, but the President, 67, has picked up the pace again, in part to head off any perception that his illness has dogged him. His doctors have okayed a packed schedule, but some aides fear that Bush may be overdoing it a bit. A member of his medical team told a colleague that doctors are unable to "get the President to sit down." Bush, whose medication is still being fine-tuned, is also having trouble sleeping. Even so, Democrats are premature in their hope that Bush's health will block a re-election bid. "If he can crawl," says an adviser, "he will run."



The Athlete in Chief at play last week: the staff is worried that he's pushing too hard

I KNOW THERE'S A SANTA CLAUS—I VOTED FOR HIM

Why do Congressmen keep on specifying for hire? The House now prohibits members from pocketing such fees, and the Senate is on the verge of adopting a similar ban, but legislators won't clam up. They have found a censure-free use for the money: donate it to home-district charities. Democrat Dan Rostenkowski of Illinois is a master at sharing the largesse, using it for inner-city children's programs, among other good works.



He blew a Supreme opportunity

SOME GUYS CAN'T TAKE A HINT

The call from the Bush Administration last summer was tantalizing. Would you be interested, Federal Judge Ricardo Hinojosa was asked, in a promotion to the federal appeals bench? Hinojosa declined but allowed that he would accept an ambassadorship instead. Dumbfounded, his caller noted that the President might have more in mind for his old Texas friend. Hinojosa didn't take the hint. Thus when Thurgood Marshall retired, Bush apparently didn't feel he could name the Brownsville judge as the first Hispanic on the Supreme Court. "If I were him," says a senior White House official, "I'd be kicking myself right now."

Who's Winning the Shadow Race?

So far, Paul Tsongas is the only official candidate in the running for the 1992 Democratic nomination, but other politicians are quietly positioning themselves for a late entry. Here's where they stand:

GAINERS

Jay Rockefeller.
The Ivy League
West Virginia Senator
is stumping to promote
health-care reform,
and he's adopting a
backslapping
bonhomie with power brokers.



BILL CLINTON.

The Arkansas Governor is cultivating a mainstream image as head of the centrist Democratic Leadership Council.

Tom Harkin.

The Iowa Senator has won huzzahs for his fiery defense of liberal values, which could help in his home state's caucuses. But he won't win it all.

LOSERS

Al Gore.
Democratic
activists say the
Tennessee
Senator is the
best man to
bridge party factions, but his
indecision is losing him supporters
and respect.



Dick Gephardt.

Another ditherer. The House majority leader's reluctance led to Harkin's candidacy.

Doug Wilder.

The Virginia Governor's never-ending feud with Chuck Robb makes him look like a vindictive spoiler.

WILD CARDS

Mario Cuomo.
The 800-lb. gorilla of
the party has a fiscal
mess to solve in New
York. But the
Governor's fund-
raising clout and
popularity among Democratic activists
make him the only one who can afford
to bide his time.



Jesse Jackson.

Washington's shadow Senator is
planning to host a weekly current-affairs
show on Cable News Network, a move
that indicates he may not run in '92.

TIME JULY 15, 1991

THE SUPREME COURT

Marching to a Different Drummer

By choosing Clarence Thomas, who says integration is an impossible dream, Bush sparks a debate over the goals of the civil rights movement



At the President's vacation home in Maine, Bush introduces his nominee.

By MARGARET CARLSON

In the days after George Bush interrupted his Kennebunkport vacation to announce his replacement for Justice Thurgood Marshall, the tiniest details of Clarence Thomas' background began to tumble out. They ranged from the lack of indoor plumbing in the house where he was born to the cigars he smokes to the bitter divorce from his first wife.

Thomas, 43, is a bundle of seeming contradictions: a black conservative who made it out of dirt-poor rural Georgia to Yale Law School and the highest ranks of government yet is opposed to all racial preferences; a founding member of the Black Student Union at Holy Cross and a Black Panther sympathizer dressed in beret and combat boots who became the darling of right-wing Republicans; a lawyer who once called the Supreme Court's overthrow of segregation in *Brown v. Board of Education* "one of the most significant cases decided by the court during this century," but later criticized the ruling on the ground that it was based on the faulty assumption that any all-black school was automatically inferior to an integrated one. Thomas has gone from being a Baptist to a Catholic seminarian to attending an Episcopalian church, from having a black wife to a white one. He has built his career in part on an intellectual rejection of government attempts to redress racial prejudice while benefiting from similar efforts.

To some, Thomas' nomination looks cynical, a way for the Bush Administration to appoint a black whom civil rights groups and liberal Democrats would look churlish opposing while at the same time sticking to its efforts to pull back on civil rights programs. Jim Cicconi, a former senior official in the Administration who handled civil rights issues, explains the kind Thomas' critics are in: "It's going to be difficult for liberals on the Senate Judiciary Committee to go after Clarence Thomas for not being sufficiently sensitive to the interests of blacks and the disadvantaged, since he has been both and most of them have been neither." If the Senate were to reject Thomas, footage of

liberal Democrats berating him for his opposition to quotas would undoubtedly play a role in Bush's re-election campaign.

In his writings and speeches Thomas has described his inner conflicts, calling himself a child of hatred and love, of malign neglect and compensating family attention, of painful encounters with white racism and the healing guidance of an order of Irish Catholic nuns. The President could hardly have picked a nominee whose early life better demonstrates self-help, Horatio Alger and Booker T. Washington combined in one man's struggle.

Thomas was born with the help of a midwife in 1948 in a wooden house close to the marshes in Pin Point, Ga., a segregated enclave without paved streets or sewers. His mother Leola Williams, only 18 when he was born, already had an infant daughter. When Thomas was two, his father walked out on the family, heading to Philadelphia in search of a better life. Pregnant with a third child, Thomas' mother lived in a dirt-floor one-room shack that belonged to an aunt and went to work at the factory next door, picking crabmeat for 5¢ per lb. The children wore hand-me-down clothes from the Sweet Fields of Eden Baptist Church and often went without shoes.

When Thomas was seven, the house burned to the ground and the family moved to Savannah; Leola and her daughter lived with an aunt while the two boys were sent to the well-tended home of their grandfather Myers Anderson. For the first time Thomas lived in a house with indoor plumbing. Anderson, who made a decent living selling ice and coal from the back of a pickup truck, could rarely read but was a strong believer in education. He enrolled Thomas in a nearby school staffed by what white Catholics called "nigger nuns." They rode in the back of the bus with their students on field trips and rapped the palms of the children who did not hand in homework. Thomas' grandfather took him to meetings of the local chapter of the National Association for the Advancement of Colored People, where he read his grandson's grades out loud.

Thomas' rigorous Catholic education

continued at St. John Vianney Minor Seminary in Savannah, where he was the only black in the 1967 graduating class, and for a year at Immaculate Conception Seminary in Conception, Mo. Remembering his childhood as he spoke to reporters in Kennebunkport, Thomas choked up so much that he could barely get through the remarks scrawled in ink on a sheet of looseleaf paper. "I thank all of those who have helped me along the way ... especially my grandparents, my mother and the nuns, all of whom were adamant that I grow up to make something of myself."

To fill the seat of one of the greatest civil rights heroes, Bush found a black who actually believes in the Republican notion that minorities need the absence of discrimination, not affirmative action, in order to succeed. Thomas has pitched his political tent on a small plot of ground where black nationalism and Republican conservatism converge.

Thomas once said that civil rights leaders just "bitch, bitch, bitch, moan and whine." Years ago, he did complain publicly about discrimination, over an incident at the seminary in Missouri. Thomas told a friend, Jerry Hunter, now general counsel of the National Labor Relations Board, that he was walking past a room when a television news flash proclaimed that Martin Luther King Jr. had been shot. He heard a white student say something like, "It's about time you got the s.o.b." That day, Thomas told another friend, he decided that he would not stay at a school that didn't practice what it preached. Friends recall other racial slights: a note from a white classmate in his high school yearbook, "Keep on trying, Clarence. One day you will be as good as us." He was also ridiculed for his dark complexion. Once a student yelled to him after lights out, "Smile, Clarence, so we can see you."

At Yale Law School, Thomas sat in the back of classes and tried to hide his face in the hope that his professors would not notice his race. He wanted no special treatment even though he had been admitted

A Man With a Minority Viewpoint

Having spent only 16 months as a federal appeals judge, Thomas has written few rulings in major cases. But in interviews and occasional articles, he has spelled out an approach to racial issues that is largely at odds with the views of major civil rights organizations.

ON WHY QUOTAS HURT BLACKS

"I am unalterably opposed to programs that force or even cajole people to hire a certain percentage of minorities. I watched the operation of such affirmative-action policies when I was in college, and I watched the destruction of many kids as a result. It was wrong for those kids, and it was wrong to give that kind of false hope."

—INTERVIEW WITH THE NEW YORK TIMES, JULY 1982

ON THE NEED FOR MORE BLACK SELF-RELIANCE

"I'll put the bottom line on you: I don't think we [black Americans] caused our problem, but we're damn sure going to have to solve it."

—INTERVIEW IN THE WASHINGTON POST, JULY 1983

under the school's affirmative-action policy. The program called for aggressive recruitment of minority students but it did not set quotas for their admission.

Bush was inclined from the start to choose an African American. Right after the 1988 election, the Bush team speculated that he might get to fill as many as three or four openings on the court. They latched onto the idea of enhancing the diversity of the court, appointing the first Hispanic and Asian American, naming more women and filling Marshall's seat with a black—a curious approach for an Administration so vocally opposed to quotas. Emilio Garza, a federal judge from Texas, was brought to the Justice Department on Saturday for an interview, but he was quickly dismissed.

On Sunday afternoon, Thomas was invited to fly to Kennebunkport next day to meet Bush. When he arrived there, the house was so full of aides and family members gathered to celebrate Bush's mother's 90th birthday that Bush had to pull Thomas into the master bedroom behind the horseshoe pit so they could talk privately. Aides do not know if Bush posed the Eagleton-inspired question, "Is there anything I should know," but he did extract a promise that Thomas would stick out the confirmation process no matter how tough it got. When they emerged from the room for a lunch of crabmeat salad, Thomas was the nominee.

Thomas may agree with Republican conservatives on racial issues, but he arrived at those conclusions by a different route. His rejection of affirmative action is largely based on his feeling that whites will never be fair to blacks, a view long espoused by black nationalists like Marcus Garvey. Thomas is skeptical about integration as a goal because he doubts that it is attainable. Racial preferences, he says, sap the determination of African Americans and lead whites to believe that blacks ad-



Thomas' grandfather could not read well but was a strong believer in education. He sent Clarence to Catholic school and a seminary in Missouri.

vance mainly as a result of reverse discrimination. He would much rather see blacks pour their energies into building their own schools, but he sent his son Jamal to a racially mixed private school.

Thomas argues that no other group has been pulled into the mainstream economy by government programs. He resents the government's "experimentation on our race," which he says puts blacks in the position of having to account for every break they get. When Thomas was sworn for a second term as chairman of the Equal Employment Opportunity Commission, Assistant Attorney General for Civil Rights William Bradford Reynolds delivered the toast. "It's a proud moment for me to stand here, because Clarence Thomas is the epitome of the right kind of affirmative action working the right way." Thomas flinched. He is determined that there be no doubt that his appointment to the bench came about because of his own intelligence and hard work.

As Supreme Court nominees go, Thomas has little judicial experience. He is not a proud legal scholar, a weighty thinker or even the author of numerous opinions. As a lawyer in Missouri Attorney General John Danforth's office in 1974, he worked on corporate issues, intentionally avoiding areas like civil rights and abortion. As a lawyer at the Monsanto Co. from 1977 to 1979, Thomas shepherded pesticides through government registration. He returned to Danforth's staff as a legislative assistant in 1979, and in 1981 served briefly and quietly at the Department of Education's civil rights division.

It is Thomas' record as chairman of the EEOC starting in 1982 that troubles liberals most. Juan Williams, a journalist who conducted a series of interviews with Thomas over five years, wrote in the *Atlantic* in 1987 that Thomas was a "sad, lonely, troubled, and deeply pessimistic public servant." As the second highest

ON WHITE RACISM

"There is nothing you can do to get past black skin. I don't care how educated you are, how good you are at what you do—if you are black you'll never have the same contacts or opportunities. You'll never be seen as equal to whites."

FROM A PROFILE OF THOMAS IN THE ATLANTIC.
FEBRUARY 1987

ON THE COSTS OF INTEGRATION

"I don't see how the civil rights people today can claim Malcolm X as one of their own. Where does he say black people should go begging the Labor Department for jobs? He was hell on integrationists. Where does he say you should sacrifice your institutions to be next to white people?"

FROM THE ATLANTIC.
FEBRUARY 1987

ON BEING PATRONIZED BY WHITE REPUBLICANS

"I joined the [Reagan] Administration as an Assistant Secretary in the Department of Education. I had initially resisted and declined taking the position of Assistant Secretary for Civil Rights simply because my career was not in civil rights and I had no intention of moving into this area. In fact, I was insulted by the initial contact about this position as well as my current position. . . . I always found it curious that even though



Three nuns from St. Benedict's school joined Thomas and his wife in 1990 when he was sworn in as a judge on the U.S. District Court of Appeals.

ranking black in the Reagan Administration. Thomas was earning \$71,000 a year, moving about in a chauffeured government car (which stopped most mornings at a Catholic church so Thomas could pray alone for a few minutes). Beside his desk he kept a flag bearing the motto "Don't Tread on Me."

Early in Reagan's first term, Thomas battled with Reynolds over the Justice Department's go-slow approach to civil rights cases. But at the EEOC, Thomas angered civil rights organizations by shifting the agency away from class-action cases to focus on specific acts of discrimination. He rejected the use of statistics on the number of minorities hired by an employer to prove discrimination. Thomas once asked a congressional committee whether anyone would ever suggest that Georgetown University was discriminating against white basketball players because its team was all black.

In 1990 Bush named him to a federal appeals court in Washington, which has often been a spawning ground for Supreme Court Justices, but Thomas has only ruled in 27 routine cases.

Though civil rights groups are understandably cautious about attacking a black, Thomas' appointment could spark a debate among African Americans about the best means for their race to progress. Though most blacks harbor an instinctive mistrust of anyone who worked with Ronald Reagan, not all of Thomas' views are as far from the black mainstream as some civil rights spokesmen would have it. For example, a growing number of black parents now send their children to historically black colleges in the belief that such institutions do a better job of nurturing young blacks' self-confidence.

Thomas' strong antiabortion views are another matter. As a Senate Democratic aide puts it: "If you were a committee liber-

al, would you rather oppose a sharecropper's son on the issue of civil rights or on the issue of abortion rights?" Unlike David Souter, who escaped scrutiny on abortion, Thomas has a paper trail. Abortion-rights advocates have seized upon a 1987 speech in which Thomas praised an article in the *American Spectator* that called for the constitutional protection of the "inalienable right to life of the child-about-to-be-born."

There are a few wild cards in the confirmation process. No one knows how Thomas will come across on television, although his private tale of triumph over high odds is likely to win better ratings than daytime soap operas. Thomas also has a respected political godfather in Danforth, who has an unblemished civil rights record and has been trying to persuade the Administration to accept a compromise version of the current civil rights bill.

Occupants of the row of seats reserved for family and friends when the Judiciary Committee begins Thomas' confirmation hearings this September could constitute a new American Gothic—doting nuns in their 70s; a mother who works as a receptionist and nurse's aide at a hospital; the father who has rarely been seen since he abandoned the family; a sister, whom Thomas once criticized for relying on welfare and who now works as a cook at a hospital; his second wife, Virginia Lamp Thomas, of the Labor Department, who made her reputation in Washington fighting against comparable-worth legislation that would have required equal pay for women. There may be an empty symbolic seat for Myers Anderson, who died eight years ago. Thomas once thought his grandfather had "too high expectations." But Anderson may have been the only person who could imagine how high his grandson would climb.

—Reported by Joseph J. Kane/
Savannah and Staci D. Kramer/St. Louis, with other
bureaus

my background was in energy, taxation and general corporate regulatory matters, that I was not seriously sought after to move into one of those areas.

SPEECH TO
THE HERITAGE FOUNDATION,
JUNE 1987

ON THE FAILURE OF THE CIVIL RIGHTS MOVEMENT

"The tragedy . . . is that as blacks achieved the full exercise of their rights as citizens, government expanded and blacks became an interest group in a coalition supporting expanded government. Instead of reflecting the diversity of the black community, blacks' political views have become more homogeneous. Yet black ambitions need not be so closely wedded to ever expanding government."

REVIEW OF *AND WE ARE NOT SAVED*,
BY DERRICK BELL, OCTOBER 1987

ON CIVIL RIGHTS PRIORITIES

"There is an enormous amount of rhetoric these days on both sides of the civil rights issue . . . I am tired of the rhetoric—the rhetoric about quotas and about affirmative action. It is a supreme waste of time. It precludes more positive and enlightened discussion, and it is no longer relevant."

FROM "THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION: REFLECTIONS ON A NEW PHILOSOPHY," AN APRIL 1985 LAW REVIEW ARTICLE

THE STATE FISCAL CRISIS

Troubles Close to Home

Hit by the recession, falling revenues and a growing demand for services, Governors and lawmakers wrestle over how to overhaul taxes and spending

When their 1990 fiscal year ended on June 30, a few states didn't close their books—they closed their governments instead. In Connecticut and Maine, state offices were shut down, public employees got involuntary furloughs, and angry Fourth of July revelers found their favorite state parks shuttered. No matter that the closings may have reflected a measure of showy brinkmanship by Governors locked in budget fights with their legislatures: the money problems of states this year are all too real.

The recession has cut deeply into state corporate and income tax revenues while also reducing consumer spending that generates sales taxes. Meanwhile outlays have climbed for highway maintenance and the construction of prisons. Add to that the rising expenditures for Medicaid,

the federal and state program of health-care assistance for the poor. Medicaid spending by the states is expected to grow 25% this year, to more than \$50 billion.

Nine states (California, Connecticut, Illinois, Louisiana, Maine, Massachusetts, North Carolina, Ohio and Pennsylvania) entered the new fiscal year without adopting budgets, as Governors and lawmakers argued over painful decisions. Last year states enacted \$10.3 billion in new taxes, the largest single-year increase since 1984. By April of this year, Governors had already proposed an additional \$6.7 billion. But deep cuts are also being implemented in almost every area, including education, health care and welfare. And in many states, government employees by the thousands are getting pink slips instead of paychecks. ■

CALIFORNIA

Wilson Tries To Do It Right

By JORDAN BONFANTE LOS ANGELES

In Sacramento lawmakers call it "the budget from hell"—and not just because trying to reach agreement on the \$56.4 billion spending plan has required both houses of the legislature to work far into the night no fewer than a dozen times. Closing a \$14.3 billion deficit—the largest state shortfall in U.S. history—means violating the politician's basic instinct to please voters by cutting taxes and handing out goofies.

Previous Governors spent years postponing the hard choices the state must make, but Republican Pete Wilson, who took office in January, is determined to put California's rickety fiscal house in order. To raise revenues, he called for \$7 billion in new sales and alcohol taxes as well as higher

vehicle-registration and education fees. He also proposed \$5 billion in spending cuts, including a 5% salary reduction and monthly one- to two-day furloughs for the state's 276,000 employees. His most controversial proposal for getting the state off what he calls "autopilot spending": a \$500 million reduction in the Aid to Families with Dependent Children program that will not only suspend cost-of-living in-

creases but actually cut the \$694 monthly welfare payment to a poor mother with two children to \$663.

Wilson's main opponents in the budget battle are legislators from his own party. Last week the assembly's 31 Republican members helped torpedo Wilson's compromise plan for raising the \$2.3 billion still needed to balance the budget. The sticking point was a proposal to increase state income tax rates for those with incomes over \$100,000 from 9.3% to 10%. As an enticement to tax-shy Republicans, Wilson had backed a pro-business reform that would make it harder for workers to qualify for stress-related workers' compensation. But after Democrats, under pressure from organized labor, rejected the linkage between the tax and workers' compensation reform, the compromise collapsed. Rather than veto the whole budget, a battle-weary Wilson pledged to continue bargaining.

California's fiscal plight is rooted in explosive population growth. During the 1980s, the state's population swelled more than 6 million, to nearly 30 million; almost half of the



The budget battle has put Wilson at odds with his fellow Republicans



It also occurs to you that you don't have the foggiest idea how to go about finding out.

Well, we can't say we blame you. Over the years, our industry hasn't exactly been noted for open doors, much less open dialogue.

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**The Chemical
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We want you to know.

new arrivals were immigrants, who put huge strains on welfare, health-care and education programs. The crunch was made worse by plummeting tax collections caused by the current recession and by the limits on new levies imposed by Proposition 13, the 1978 ballot measure that cut property taxes and shifted the lion's share of fiscal responsibility from local governments to the state. Wilson has suggested reversing that trend by returning \$2.3 billion worth of social and health programs from the state to county governments. Local administrations have welcomed the idea, because the shifted programs are to be accompanied by corresponding tax revenues to pay for them.

Wilson's attempts to find a long-term

cure to the crisis have reopened old fissures within the state's G.O.P. On one side are die-hard antitax conservatives. On the other are moderate pragmatists like Wilson. Faced with the feuding in his own party, Wilson has decided to write off the right wing and seek common ground with moderate Republicans and Democrats. Conservative assemblyman Tom McClinton has refused to vote for any part of what he called Wilson's "obscene" budget. He recalls meeting with the Governor's chief of staff last February and being told bluntly, "If you don't play along, we're going to ignore you." So far, Wilson has made good on that threat. On the other hand, the dozen Republican assemblymen who have backed Wilson, off and on, have been of-

fered what G.O.P. insiders call "protection." That includes promises of the Governor's endorsement in future races, fundraising help for next year's primary and the implicit promise of his help in preserving their districts when the state is reapportioned later this year.

If Wilson's mix of arm twisting and cajoling succeeds in breaking the impasse, more than California's budget could be at stake. Wilson's own future could also be riding on the outcome. Putting his state on the road to fiscal sanity would burnish Wilson's credentials as a can-do politician with the guts to cast aside ideology for the sake of better government. That in turn could put him on a very short list of Republicans who might succeed George Bush in 1996. ■

CONNECTICUT

Weicker Goes His Own Way

By TOM CURRY

In Connecticut, Fourth of July celebrations began with all the pizzazz of a damp firecracker. As dawn broke over Hammonasset Beach State Park last Tuesday, rangers routed campers out of their tents and ordered them to leave. In Hartford a few hours later, agencies ranging from the department of banking to the board of pardons failed to open their doors as 20,000 state employees began an indefinite furlough.

For some campers, the holiday disruption caused by the state's fiscal crisis turned out to be mercifully brief. Three Connecticut companies chipped in \$45,000 to keep Hammonasset and two other state beaches open through the weekend. But how soon state employees will return to work depends on how quickly Governor Lowell Weicker can hammer out his differences with the legislature over his plan to create a state income tax.

Imposing income taxes in a state that has shunned them for more than two centuries would be a daunting political challenge for any Governor. It is especially difficult for Weicker because he has so few cards to play. One of two Governors elected last November as independents (the other is Walter Hicken of Alaska), Weicker does not have many allies among either the Democrats who control the legislature or the Republicans from whose ranks he defected last year.

All sides agree that Connecticut must raise more revenues. The state is faced with a \$2.7 billion deficit in its \$7.8 billion budget, proportionately the largest of any state's. With no income tax, Connecticut relies on an 8% sales tax on such consumer durables as cars, television sets and furniture—exactly the sort of products consum-



Will Weicker's lack of partisan ties prevent his state from adopting its first income tax?

ers stop buying in an economic slowdown. When the current recession hit last summer, state revenues declined.

There is little disagreement on the need to curb spending. Though Connecticut's population grew only 5.8% during the past decade, outlays for government programs more than doubled. State funding helped boost the pay of Connecticut teachers 5.3% in the 1980s, giving them average salaries of \$40,496, second highest in the nation. The state created new programs for the mentally handicapped and embarked on a costly prison-building program.

To Weicker, who earned a reputation as a stubborn and short-tempered maverick during three terms in the U.S. Senate, the solution was obvious: cut the sales levy and impose a 6% income tax. Addressing the legislature in February, Weicker argued that without tax reform, "our Connecticut, as we envision it, would slip away." But the lack of party ties that made it possible for Weicker to conceive a tax that neither Democrats nor Republicans would propose doomed the idea. With no

leadership motive for aiding Weicker, the leaders of both parties helped defeat his plan last month.

Then, having run out of alternatives as the July 1 deadline for approving a budget neared, the lower house of the legislature reversed course and approved an income tax of 4.75%. But hours later, it was voted down in the state senate. Instead, the legislature tried to extend the sales tax to everything from haircuts to boat-slip rentals. Declaring that "it's up to me to harbor the resources of the state as best I can," Weicker vetoed the legislature's budget and suspended nonessential services.

Since there is enough money in the state treasury to pay workers for several weeks, Weicker's shutdown was mainly designed to pressure lawmakers during round-the-clock negotiations that continued into the weekend. But the Governor will get the reform he has championed only when legislators become convinced that a more balanced tax system is the best way to end the boom-and-bust cycles of state budgetmaking. ■

AMERICAN NOTES



Detroit beating victim: Joanne Was

VIOLENCE

Little Brother Is Watching

The videocamera, long the weapon of choice among obnoxious parents, is finding favor with crime fighters these days. The Los Angeles police's grisly

beating of Rodney King, videotaped by an amateur and aired on national television in March, was only the first of a growing number of America's Unfunniest Home Videos. At a Washington trial last month, prosecutors introduced a videotape of five men robbing and beating victims during a 1989 crime spree, which was recorded for posterity by one of the defendants.

Last week, during a fireworks display in Detroit, an amateur photographer videotaped a gang of young black women beating two older white women while police stood by. After the tape aired on national television, six attackers were arrested and charged with unarmed robbery and assault. And in Fort Worth a woman standing in a friend's yard recorded a police officer beating a handcuffed car-theft suspect 28 times with his baton. The officer is under criminal investigation, and the suspect is free on bail. ■

HYPOCRISY
Maitre and Morality

When Dean H. Joachim Maitre delivered his commencement speech at Boston University's College of Communication in



Presidential party: Bush celebrates Mount Rushmore's 50 years

SOUTH DAKOTA

Monumental Hoopla

You can't get any more monumental than Mount Rushmore: Abe Lincoln's face alone is three times the height of his statue in Washington. In a gigantic party last week, 3,500 revelers attended the 50th anniversary of the sculpture's completion. George Bush presided over a formal dedication ceremony and the launch of a \$40 million fund-raising drive to renovate the memorial.

But not everyone was in a mood to celebrate. Environmentalists decry the busts as a desecration of nature. *New Republic* writer Alex Heard identified Gutzon Borglum, Rushmore's eccentric creator, as a member of the Ku Klux Klan. And the Sioux Indians charge that the memorial is sculpted from sacred land that was stolen by the government. In a gesture of reconciliation, the Ziolkowski family since 1948 has been carving an even grander likeness of Crazy Horse, the Sioux warrior, from a nearby mountain. ■

dards—is that we should never dig deeper to consider whether a given work is true."

Or original, apparently. Last week the Boston *Globe* charged that 15 passages in Maitre's speech had been lifted almost word for word from an article by Michael Medved, a

PBS film critic, published in a scholarly journal called *Imprint* last February. But Medved said Maitre called to apologize. "He acknowledged that he had made a terrible mistake," said Medved. "He was full of chagrin and regret." Stay tuned for the sequel. ■

VETERANS

Paying for Agent Orange

Vietnam veterans won another skirmish last week in the battle over Agent Orange, but the government continues to hold its ground. For 14 years now, veterans' groups have charged that the herbicide used to defoliate the jungle canopy was toxic to soldiers. More than 35,000 have filed claims for diseases like cancer and birth defects in their children. Last week the Department of Veterans Affairs announced that a limited



The battle continues: vets say exposure had lasting effects

number of vets who contracted peripheral neuropathy, a nervous disease that causes numbness and tingling, within 10 years of their service will be allowed disability payments of up to \$1,620 a month.

That marked the second victory this year: in February the VA awarded similar payments to vets with non-Hodgkin's lymphoma and soft-tissue sarcoma, two forms of cancer. But the government continues to reject claims that Agent Orange causes lung cancer, and veterans argue that the VA imposes so many restrictions that few survivors will actually benefit. ■

YUGOSLAVIA

Out of Control

In a country where all sides are consumed by ancient animosities, even the army seems incapable of halting the drive for secession

By JILL SMOLOWE

How to make sense out of a country, and a spasm of violence, that makes little sense in itself? Whom to sympathize with, in a struggle among hostile and unreasonable antagonists? In whose hands is the country called Yugoslavia, stitched together from unwilling parts? Why can't the claims of self-determination be solved peacefully?

Neither those locked in conflict within the country's borders nor those watching from a distance could explain exactly what guided events last week as the showdown between the Yugoslav People's Army and the secessionist republics of Slovenia and Croatia first pushed toward all-out civil war, then pulled back in a shaky cease-fire. What baffled most was not so much the sporadic bloodshed—all but foreordained by centuries of ethnic antagonisms—but the political and military muddle. No one seemed to be in charge, and the country appeared to be sliding into chaos. The federation's civilian leadership looked like spectators at a war of the army's making, while the rebellious Slovenian militia sought ways not just to eject federal troops but to humiliate them as well. The army itself seemed in jeopardy of splintering along the very ethnic lines that surely make Yugoslavia the most Balkanized of Balkan states.

Although the centuries-old ethnic, religious and political enemies roiling Yugoslavia must seem very distant to most Americans, the turbulence has immediate meaning. The U.S. is currently engaged in a social debate that pits the virtues of ethnic and racial diversity against the value of a common national identity. Of course, unlike the artificial construct that is Yugoslavia, America evolved organically, its identity forged by a populace that for the most

part joined the union eagerly, not with sulken resistance. Still, it was instructive for Americans to watch the television footage from Yugoslavia to see what unbounded "multiculturalism" can look like. Had Americans spent the past two centuries as the Yugoslavs have, stoking ethnic antagonisms rather than trying to forge shared values, last week's Fourth of July celebration might have had a very different stripe.

Yugoslavs may feel the countervailing claims of federation vs. separation are too

inimical to settle any other way than by the gun. But even the most ardent of the antagonists still has time to consider whether the Yugoslav parties can solve the problem through peaceful dialogue. The prevailing mood last week was grim. A cease-fire brokered by the European Community came and went. Another, negotiated a few days later by the Yugoslavs themselves, held into the weekend—but only barely. As many as 180 army tanks and armored vehicles that drove out of the federal capital of



Federal troops head toward the border between Slovenia and Croatia



At the front: a wounded Yugoslav captain; a flaming barricade erected by Slovenian militia sends a tank driver running for cover



Belgrade shortly before the new cease-fire rested along the border of Croatia, a republic whose push for independence holds potential for far greater violence than Slovenia's. The question was whether those columns were halted in response to the flurry of diplomatic activity—or only to regroup for a major assault.

Early in the week General Blagoje Adzic, an ethnic Serb and the army's Chief of Staff, issued a chilling statement on national television: "We have to accept war because the alternative—surrender or treason—does not exist for us." The cease-fire imposed the next day seemed to contradict Adzic's warning.

But 24 hours later, the war of ultimata again heated up. Yugoslavia's eight-member collective presidency demanded that Slovenia surrender control of its 27 border posts within three days. The issue was more than symbolic: in a country where customs duties account for as much as one-third of the government's revenue, the key crossings to Italy, Austria and Hungary are a major source of federal income. Slovenian information minister Jelko Kacin rejoined, "I state categorically that Yugoslavia no longer has a border with Italy or Austria." While Slovenia did demobilize 10,000 members of its forces and respond to federal demands to release prisoners and lift blockades around army bases, Kacin warned, "The war is not over."

Slovenia was no more reasonable than the federal government in its demands. Intent on seizing all the arms from the troops sent into the republic and on publicly humili-

bling the army, the republic's government scuttled the first cease-fire by demanding that departing forces turn over all weapons except personal arms before retiring to their barracks. "Provocateurs," said a Western diplomat stationed in Belgrade.

Civilian authorities were ill positioned to impose a truce: a sense of powerlessness was endemic. Many admitted being as shocked as the rest of the world by Adzic's belligerent statement and by the dispatch of the menacing column toward Croatia's border. Asked if he thought Adzic was a loyal supporter of the federal government, Prime Minister Ante Markovic retorted, "I don't know, you'll have to ask him. Why are you asking me?"

Whom to ask, then? The military high command? The mixed signals emanating from Yugoslavia's generals increased speculation that even the army itself did not know what its next move would be. No sooner had Adzic issued his belligerent warning than another general, Andreja Raseta, a Serb from Croatia who is deputy commander of the Yugoslav army units deployed in Slovenia, announced that federal troops would not fire unless they were fired upon. The Defense Minister, General Veljko Kadijevic, in the meantime assured the federal presidency that the army would abide by the cease-fire. Long considered a moderate, he is now suspected by some diplomats of having shown an agreeable face to civilian authorities while actually promoting a hard line.

The failure of the military to speak with a unified voice raised several possibilities:

The generals may have been orchestrating a sophisticated good cop-bad cop routine. Perhaps events were moving so swiftly that the threat from Adzic was rendered moot by Slovenia's subsequent announcement of a unilateral cease-fire. Or maybe the generals were acting at cross-purposes.

Even if the high command remains united, the army that Josip Broz Tito built during World War II threatens to fracture along the very ethnic lines that have created Yugoslavia's current miasma. Led by a cadre of generals who are the last bastion of hard-line communism in the country, the officer corps is predominantly Serbian, while the conscript ranks reflect the multi-ethnic complexion of the Yugoslav federation. Among the 2,300 troops captured by the Slovenes were hundreds who had turned themselves in, testimony to the lack of resolve within the ranks. Many of the troops fighting in Slovenia are raw recruits called up this year. Reflecting a conviction shared by many soldiers, Corporal Nebojsa Jankovic, 20, a Serb who saw two comrades killed by Slovenian fire, said of the army's attempted crackdown, "In my mind, it was a mistake."

Concerned parents on both sides of the conflict share the soldiers' lack of enthusiasm for a war that has already claimed 57 lives. Last week in Serbia, mothers took to the streets demanding that their sons return home. In Slovenia, Nada Mesaric, 45, whose son is garrisoned in Macedonia near the Kosovo border, said, "I don't think it's important to any of us whether Yugoslavia stays together."





A Nation at War with Itself

The ethnic enmities that divide Yugoslavia play out not only among the country's six republics and two provinces but within several of those territories as well. The current conflict over the structure of the federation has antecedents that date back centuries.

A HISTORY OF STRIFE

The lands now known as Yugoslavia served for hundreds of years as a battleground between the Austro-Hungarian and Ottoman empires. Slovenia and Croatia fell under Western cultural influences and are Roman Catholic. Serbia and the other regions belonged to the Turks, adopting Eastern Orthodox and Muslim observances.

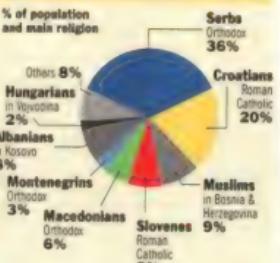


After the cataclysm of World War I, the south Slavs forged a single state. During World War II, Croatia sided with Hitler, and the ensuing civil war cost a million lives. The communists, who took over in 1945, suppressed ethnic tensions, but following Tito's death in 1980, the age-old enmities began to flare again.

UNEQUAL ECONOMIES

	% of Yugoslavia's exports	GDP per capita	Average monthly wage
SLOVENIA	29%	\$12,520	\$533
CROATIA	21%	\$7,110	\$512
VOJVODINA	8%	\$6,790	\$440
SERBIA	21%	\$4,950	\$423
MONTENEGRO	2%	\$3,970	\$371
BOSNIA & HERZEGOVINA	14%	\$3,590	\$365
Macedonia	4%	\$3,330	\$300
KOSOVO	1%	\$1,520	\$254

ETHNIC DIFFERENCES



Source: *Ministry of Foreign Affairs*

OPPOSING FORCES



FRACTURED GOVERNMENT

Yugoslavia is a federation. Unlike the U.S., it has strong local government and weak central control. The collective presidency is composed of eight members, one from each of the six republics and two provinces. The chairmanship of the presidency is rotated every 12 months among these eight.

TIME Graphic by Horace Matis



Given the muddled situation in Yugoslavia, it was not surprising that Western officials on both sides of the Atlantic were having trouble finding a comfortable political stance. When violence first erupted, the international community called for the preservation of "territorial integrity" warned separatists that a violent breakaway would receive neither economic nor political support. The U.S. and the E.C. feared that instability in Yugoslavia might ignite secessionist-minded forces throughout Eastern Europe. But that position was undermined by the army's harsh response, which sparked calls for Western officials to uphold such fundamental values as the right to self-determination and freedom.

The U.S. and the European Community were showered with complaints that their failure to support such values may have encouraged the crackdown. "The Yugoslav generals got the idea that the West did not care about the declarations of independence," says Wolf Oechslin, a policy analyst at the Federal Institute for International Studies in Cologne. "So they attacked." Not only right-wing conservatives but even liberal democrats like Rhode Island Senator Claiborne Pell asked the White House to give more support to the embattled republics. "The U.S. would not be true to its national values if it did not line up four-square in support of democracy," said Pell. "It would be better if the Yugoslav peoples could find a way to live together, but unity at all costs is not the answer."

The U.S. and members of the E.C. altered course last week. President Bush hinted that he would recognize the republics, provided independence was achieved peacefully. In Europe, where public sympathy for the secessionists runs high, Germany made the sharpest U-turn. "Countries cannot be held together by tanks and force," said Chancellor Helmut Kohl. He warned Belgrade that an attack on Slovenia or Croatia could affect German economic aid to Yugoslavia, which last year totaled \$550 million. Britain, France and Italy are also considering joining the Western swing toward recognition.

It seems only a matter of time before Slovenia gains foreign acceptance as the Continent's youngest state. Geographically bounded by more European states than Yugoslav republics, ethnically homogeneous and capable of economic self-sufficiency, Slovenia is well poised for independence. Last week there were signs that even Serbia, which has pressed hardest to maintain a Yugoslav federation, was loosening its objections. The courtesy does not extend to Croatia, however; neither its 600,000 resident Serbs nor their kin in Serbia have any intention of making a breakaway easy. If hostilities erupt there, the ensuing conflagration may make Slovenia's bloody quest look like an orderly march to independence.

—Reported by

Daniel Benjamin/Belgrade and James L. Graff/Ljubljana, with other bureaus

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SOVIET UNION

Crisis of Personality

Building a new political and economic system from scratch, the country's reformers must cope with a mind-set unaccustomed to freedom

By GEORGE J. CHURCH

Speaking in New York last month, newly elected Russian Federation president Boris Yeltsin angrily cited an example of the kind of "exploitation" he would not allow: a middleman who bought meat in Moscow and sold it as shashlik in a city less than a hundred miles away for a big markup. Meeting Yeltsin immediately after, S. Frederick Starr, president of Oberlin College in Ohio and a Sovietologist, suggested that instead of putting the dealer out of action, the Russian leader ought to encourage five more hustlers to go into the business. That way more shashlik would be distributed while competition slashed the price. Yeltsin's face lit up. "Of course you're right," he replied, in a gee-I-should-have-thought-of-that tone.

That so forceful an advocate of private enterprise as Yeltsin should need instruction in so basic a point underscores the most troublesome question facing the Soviet Union today. It will hover in the background at next week's Group of Seven summit in London, when Mikhail Gorbachev asks leaders of the world's strongest industrial powers for economic help and submits to sharp questioning about what kind of reforms he plans to make any aid effective. But the problem goes much deeper than the details of this or that eco-

nomic plan. It is nothing less than a question of national character: Can the Soviets create the political culture—the atmosphere and habits of thought—that would make it possible to convert their country into a free-market democracy?

The Soviet Union has virtually no experience with anything resembling such a society; at times the reformers trying to create one seem to have only a vague idea of what it would look and feel like. Worse still, their efforts run counter to many traditions inculcated by Russian history; not just the 70 years of communist attempts to create a New Soviet Man, but the centuries of czarist oppression and frequent isolation from outside thought before 1917. Even optimistic experts—and there are some, both Western and Soviet—think creation of the requisite political culture will take decades, perhaps generations, with innumerable opportunities for backsliding along the way.

But the process at least seems to be under way. Last week some of the country's most prominent advocates of change put together a Democratic Reform Movement, intended to become a unified and permanent opposition to the Communist Party, or at least its hard-line faction. Organizers include former Foreign Minister Eduard Shevardnadze; Alexander Yakovlev, an adviser to President Mikhail Gorbachev who is sometimes called the "architect of per-

stroika"; and Mayors Gavril Popov of Moscow and Anatoli Sobchak of Leningrad.

The new movement is not yet a political party. Whether it becomes one will be determined by a founding congress in September. But Shevardnadze made it clear that the organization's purpose is to speed the conversion of the Soviet Union into a "normal society." He explained: "A normal society has an opposition as a natural feature of the political landscape." The reaction, however, indicated that anti-establishment politics in the U.S.S.R. is still an undeveloped art. The founders of the Reform Movement are oddly reluctant to break completely with the Communist Party. Shevardnadze resigned from the party, a few steps ahead of a move to drum him out. But he and other leaders made it clear that they want to attract reform-minded communists who, at least for the time being, need not quit the party to join.

That position repelled some of the small parties that have been springing up and split others. Nikolai Trutkin, head of the Democratic Party of Russia, withdrew promised support: he is under fire from dissenters who accuse him of being—to borrow an old American term—soft on communism. They plan to hold a founding congress of yet another new party, an oddly named Liberal-Conservative Union, in late September. This autumn seems likely to witness the birth not of a unified but of

SERGEI AFONCHIKOV

Street-Corner Entrepreneur



Sinbad of the Seas. The name may be fanciful, but the small shop near Moscow's Krasnopresnenskaya metro stop is serious business. At Sinbad, Sergei Afonchikov, 20, sells "a little of everything"—sunglasses, cosmetics, perfume, videocassettes, shoes that can't be bought in state stores. Afonchikov's store is one of hundreds of city-regulated emporiums that traffic exclusively in foreign goods, from computers to contraceptives to running shoes, acquired from Soviet travelers who purchase the merchandise abroad for sale back home. Prices, which are marked in rubles and include the shop owner's 15% to 20% commission, are steep: nail polish goes for \$13, French brandy for \$176, Sony boom boxes for \$2,647. Despite the cost—and new duties on imported goods promise to send prices soaring higher still—business is brisk. Afonchikov takes in between \$3,500 and \$4,200 a day.



Reflecting a new mood: Soviet politics have turned upside down, but the antidemocratic past still looms large, like this Lenin banner in Red Square

a still further splintered opposition.

Inside the party, meanwhile, the newest trend is sternly anti-reform. Hard-liners calling themselves the Communist Initiative Movement met in Moscow at the end of June to demand that the "bourgeois leadership"—meaning Gorbachev & Co.—be expelled and even brought to trial on charges of "high treason."

While a trial seems unlikely, the Initiative is distressingly strong. It represents 3.5

million party members and has considerable support among the apparatchiks who sit on the Central Committee. Gorbachev could face serious trouble later this month, when the Central Committee meets in a plenum. Clearly worried, he published last week a speech warning that "if the party remains in its present state, it will lose all future political battles and elections."

Well, maybe. But to many experts it is hardly a surprise that dictatorial tendencies are still strong while reform move-

ments are splintered. Given the tragic history of Russia, it could hardly be otherwise. The Czars retained absolutism as a quasi-religious principle long after most other European nations had either dethroned or put constitutional limitations on their Kings. Almost three centuries of the so-called Tatar Yoke, which ended around 1480, effectively walled off the country from foreign influences, an isolat-

HERMAN STERLIGOV Commodities Trader



Once a manual laborer, Herman Sterligov at 24 is a self-made millionaire who runs a thriving commodity exchange in Moscow. He started the enterprise in 1990, mostly by trading in construction materials—piping, steel and timber. Since then, the operation has grown to include whatever brokers can lay their hands on, from socks to frozen fish. With a daily turnover of \$11 million, the exchange has been doing well enough to expand 550 miles south to the Ukraine and 410 miles north to the Finnish border, with an anticipated turnover of \$176 million a day. Sterligov has taken a risk by launching a business the Kremlin views with suspicion. Although he considers private enterprise fundamentally incompatible with the Soviet system, he remains confident that such grass-roots initiatives will continue to grow. "Let them close us down," he says. "The precedents we set are here to stay."

World

tion continued as a matter of policy by the Czars and later the commissars. In the late 16th century, Giles Fletcher the Elder, English ambassador to the czarist court, wrote that Russians were "kept from traveling that they may learn nothing, nor see the fashions of other countries"—an observation that would still have been accurate a few years ago. Even today a powerful Slavophile movement regards Western ways as incompatible with the Russian character. Some Sovietologists assert apprehensively that the Slavophiles are making common cause with hard-line communists to form a strong anti-democratic bloc.

Serfdom in Russia and slavery in the U.S. were both abolished in the 1860s, but the legacy of serfdom has been even more enduring. No wonder: only about 12% of the inhabitants of the U.S. were enslaved in 1860, but almost two-thirds of the Russian empire's people were serfs at the time of emancipation. In 1918 the Bolsheviks instituted a totalitarianism more complete than that of the Nazis, in the judgment of Soviet sociologist Boris Grushin. "Even under Adolf Hitler, German industry was relatively independent of the system," says Grushin, "but in the Soviet Union, everything was swallowed up by the state."

Two Russians who agree on almost nothing else give similar descriptions of the psychology bred by this history. Alexei Sergeyev, a political economics professor and a founder of the Communist Initiative Movement, believes that most of his countrymen "don't understand anything in politics." They tend to equate the noise and conflict of a multiparty system with anarchy, which arose whenever the iron fist was relaxed. Though they loathe bureaucrats, ordinary citizens have great faith in the idea of a "benevolent czar" who will keep order. First Gorbachev and then Yeltsin

appeared to fill the bill, but Sergeyev believes that within 18 months economic chaos will force the masses to turn back to old-line Communists because they can impose order with a "strong hand."

Poet Yevgeny Yevtushenko, a moderate reformer, agrees that many Soviet citizens have learned to survive by "being ready to adapt to any kind of order and to fulfill any instruction, to forget about the morality of state policy and to accept everything from above." Even those who have begun to shake off this passivity have had no chance to develop the initiative and self-reliance that democracy demands. "They are longing for freedom, but they don't know what to do with it," says Yevtushenko. "This is true even of some of our democrats. They are wonderful in meetings, but they are terrible managers, terrible decision makers."

Another problem is that Soviets lack what Oberlin President Starr terms "horizontal links among citizens," the clubs, professional societies and voluntary associations that in other countries foster the habits of political give-and-take. At the end of the 19th century, Danish historian Georg Brandes called czarist Russia "a bureaucratic state where official power has destroyed all spontaneous and natural growth in the relations of public life." His description would have fit the Communist state even better. Partly in consequence, aspiring leaders have had nowhere to learn the arts of compromise and coalition building indispensable to democratic politics.

Some American Sovietologists find it surprising and heartening that democracy has spread as far and as rapidly as it has in this unpromising soil. They point out that every time Soviet citizens have been given

a choice they have voted for democratic change. One explanation, no doubt, is that the human instinct for freedom cannot be eradicated even by the most dismal history. A more concrete reason is the rise of an educated populace less submissive than older generations. In the 1920s, Russians averaged only four years of schooling each; today the average is 12 years. Says Blair Ruble, director of the Kennan Institute for Advanced Russian Studies in Washington: "There has been a general trend toward increasing education, urbanization and professionalization of the labor force. Those trends bring with them different attitudes toward authority and a greater desire to control one's destiny."

A free-market economy, many experts fear, may be even harder to build than a political democracy. The U.S.S.R. did take what looked like a giant step last week, when the Supreme Soviet passed a law to break the central government's stranglehold on industrial and commercial property by transferring most of it to other hands. But old-line Communists watered down the bill so that it was not quite the private-property legislation that had been advertised. Defense, energy and other "vital" industries were exempted; priority is to be given to transferring properties to collectives (presumably of workers and institutions of various kinds) rather than to private owners, and many properties will be leased by the state rather than sold outright.

The halfhearted legislation reflects the intense Soviet suspicion of private entrepreneurship, which is the main barrier to a free economy. Even in czarist times, the peasant masses cherished an egalitarianism described as an "equality of poverty." It was regularly violated, of course: nobles owned vast estates that in effect encom-

STAS NAMIN

Impresario



PHOTOGRAPH BY JEFFREY L. HARRIS FOR TIME

Stas Namin, 39, was once the Soviet Union's most famous rock star. Now, through Stanbet, the Soviet-American joint-venture entertainment agency he founded and runs, Namin represents tennis pro Andrei Chesnokov, the Moscow State Ballet on Ice and several musical groups. In 1987 he launched the country's first independent music company; within two years, he organized the Moscow Peace Festival, which brought Bon Jovi and Ozzy Osbourne to the U.S.S.R. Today Stanbet manages musicians and other entertainers from a Moscow headquarters that houses a record label and a radio station. Namin credits his success to his ability to work the Soviet system to his advantage, and he doubts that private enterprise can truly flourish without political change. "The real issue is not introducing a market economy," he says, "because it won't function until the Communist Party is removed from power."

passed whole villages and thousands of serfs. Similarly, members of the Communist elite accumulated palatial dachas, shopped in special stores closed to the general public and enjoyed other privileges far out of reach of workers. That bred an us-against-them hatred among the masses and a bitter conviction that the only way for someone to accumulate worldly goods in excess of those enjoyed by his fellows was to be a crook and an exploiter. Communist dogma, if not Communist practice, reinforced the feeling; the conviction that hired labor is always and necessarily exploited labor sank in deep.

Today, sociologist Grushin reports, a majority of Soviet citizens in opinion polls consistently rank the owners of cooperative businesses as the "main enemy" of the people. Unfortunately, this prejudice is not totally unfounded. Many of the first millionaires to arise out of the limited private enterprise that now exists have been black marketers or Communist bureaucrats using their connections. Even politicians like Yeltsin, who grasp intellectually the driving role of private ownership in producing Western prosperity, have trouble understanding that cracking down on the sharers, like the shashlik dealer, risks strangling the initiative of legitimate entrepreneurs.

Under the best of circumstances, build-

What's Gorbachev to Do?

Will the last reformer left in the Soviet Communist Party be the man officially running it? Many of Mikhail Gorbachev's one-time allies have already turned in their party cards, and formation last week of the Democratic Reform Movement may turn the stream into a flood. Democratic-minded Communists who join don't have to quit the party, but many probably will. Others will be given no choice; the party might well have expelled Reform Movement founder Eduard Shevardnadze had he not resigned. The exodus has strengthened the hard-liners who openly aim to kick out General Secretary Gorbachev himself. They do not have the numbers to do that yet, but the time could come when Gorbachev finds himself presiding over a party composed almost entirely of vengeful militants.

Might the supposed boss then emulate his close friend Shevardnadze and jump before he is pushed? Rumors that Gorbachev would quit as party leader have been afloat for two years, since he created the position of Soviet President for himself and stripped the party of its constitutional monopoly of power. Those moves would enable him to continue heading the government from outside the party. Speculation naturally increased last week with the founding of the Reform Movement; there was even some byzantine talk, in both Moscow and Washington, that Gorbachev might have put Shevardnadze and friends up to forming the new group, specifically to prepare a place for him to land if the Communists throw him out. Gorbachev made it clear that he had known about plans to organize the movement and cautiously welcomed it, though he added that he will not join it—yet. The danger for him is that if he waits too long and the new movement develops powerful leaders of its own, he might find himself totally isolated—unwanted by the Communist Party and unneeded by the reformers as well.

ing a free-market democracy from scratch, as the Soviets must, will take time. One State Department official guesses 25 to 30 years will be needed to finish the job. Grushin thinks it may take at least 70 years, "so that three generations will have passed and those who were spoiled by the old system will have died out." The big fear of both

it are always true. Including the statements that the history, traditions and ingrained ways of thought of many Soviet people could hardly be less favorable to free-market democracy—and that somehow one is starting to take shape anyway. —Reported by James Carney and John Kohan/Moscow and J.F.O. McAllister/Washington

VLADIMIR YAKOVLEV

Publishing Mogul



The weekly newspaper *Commersant* came alive again in January 1990, 73 years after the Bolshevik revolution forced it to shut down. Today the journal, which enjoys a circulation of more than 500,000, has become a must read for executives, apparatchiks and the merely curious, who like its lively coverage of politics, new firms, joint ventures and the country's fledgling stock exchanges. But Vladimir Yakovlev, 32, the man behind the paper's rebirth and a founder of Fact, the holding company that controls it and three other publishing ventures, keeps looking for new opportunities. Earlier this year he sold shares in *Commersant* to a French firm; the money raised will be used to expand the weekly from 16 to 32 pages and perhaps even to launch a daily aimed at the new status-conscious Soviet business elite. Says Yakovlev: "People are much more psychologically prepared for a market economy than you realize."

Western and Soviet experts is that reformers will not get the time. The wrenching transition to a free market, which will end artificially subsidized prices and close inefficient state businesses, is likely to cause both inflation and unemployment. After 60 years of Communist insistence that there was no such thing as joblessness in the Soviet Union, the government last week finally admitted that indeed there is and opened a string of unemployment-compensation offices. Pessimists fear that inflation and unemployment will combine to turn back the clock not only on economic reform but on the Soviet Union's nascent democracy as well.

Maybe, but maybe not. Democracy has such a strong tendency to nurture itself, and the superiority of free markets to centrally managed communist economies has become so glaringly obvious, that both might keep growing despite inevitable delays and even temporary reversals. The Soviet Union is a large country, and any two contradictory statements about



Victory after 30 years of war: Eritrean fighters parade into the Asmara stadium on an antiaircraft battery seized from the army

HORN OF AFRICA

Tough Terms for a Divorce

Ethiopia's new rulers promise Eritrea the right to secede, but on the ground, the pledge is illusory and the reality is far more complex

By MARGUERITE MICHAELS / ASMARA

The requisite niceties aside, it was not the friendliest audience that Issaias Afewerki faced as he addressed his partners in Ethiopia's new power élite last week. Many of the others oppose his plan for Eritrean independence, preferring to keep the coastal province firmly within Ethiopia. Issaias had a message for them. "Forget history," he told the conference in Addis Ababa. "Men make history, and we have made an independent Eritrea."

For the moment, his fellow leaders were willing to go along. Under a charter adopted by the 81 delegates representing 24 different groups, the Eritreans, as well as any of Ethiopia's dozens of other nationalities, will have the right to self-determination and even secession. The delegates agreed that in two years Eritreans would vote on whether to break away from Ethiopia. Those who oppose the province's departure are plainly hoping that by then independence will have lost its

allure. Within that time, they anticipate, the Eritrean leadership will have failed to create a workable state.

That may be wishful thinking. Ever since 1890, when Italy officially colonized the province, Eritreans have considered themselves more advanced than Ethiopians. Eritrean rebels began fighting for independence in 1961 and since then have done an impressive job of providing health care, education and other services to rural areas under their control. Ethiopia's dilemma, however, is acute: without Eritrea, the nation of 53 million has no access to the sea.

Much can happen in two years. In pursuing its separatist aims, the Eritrean People's Liberation Front, which Issaias heads, must not antagonize the newly installed government in Addis Ababa, which replaced Mengistu Haile Mariam, the dictator who was deposed in May. Nor can the front afford to alienate the international community on which it depends for famine relief and economic aid.

Beyond that, the E.P.L.F. must convert itself from a rebel army to a civilian government that can resuscitate a region devastated by 30 years of war, a land where fields are barren and industries are still. Otherwise the leadership risks a split in the unity that has brought the independence movement this far. As an Eritrean civil servant put it, "We have our independence. That's good. Now, where are the jobs?"

Despite such worries, the mood in the provincial capital of Asmara, which was retaken by the front in May, is euphoric. Colored lights and miniature blue, green and red E.P.L.F. flags decorate National Avenue, the main thoroughfare. Streets are filled at all hours with people strolling about, many of them fighters promenading hand in hand with loved ones they have not seen in many years. The Italian-style cafés are busy late into the night. "Before, we lived like prisoners here," says Yohannes Ande, owner of a small convenience store. "You couldn't say the word Eritrea. You

couldn't walk on the sidewalks because of the sandbag bunkers the army put up on almost every corner. It was a dark time. Now it's going to be good."

That sentiment is not nearly as evident in the port city of Massawa, which was bombed repeatedly by Mengistu's forces. Few buildings remain whole. Children play in the rubble with toys made from tank parts while abandoned Kalashnikovs rust in the hot, humid air. "What are we free from?" complains Tirhas, 20, a teacher who would not give her full name.

Already civilian workers are grumbling about Issaias' decision to keep his 95,000-strong army intact to work in the fields and factories and on reconstruction projects. "Great," says an Eritrean bureaucrat. "The volunteer army goes in, and the salaried civilians go out."

Eritrea's relations with the outside world are equally unsteady. The province is almost completely closed off; no commercial flights arrive or leave. The only telephone, telex and radio communications possible are those that are routed through the front. The group blames the cutoffs on technical problems, but as time passes and no improvements are made, fewer Ethiopians believe that. Instead, the isolation appears to be part of a deliberate effort to assert Eritrea's independence.

That impression is reinforced by the front's refusal to allow foreign diplomats based in Addis Ababa to visit the province. All international aid agencies with representatives in Asmara have been told to sit tight while their contracts are renegotiated: their employees are not permitted to travel or to communicate with the outside world. Two weeks ago, without explanation, the front threw out the team from the International Committee of the Red Cross. "There is the feeling," said one aid worker, "that anyone who worked with Mengistu's government is the enemy."

Although the E.P.L.F. has promised to allow the rest of Ethiopia free access to the Eritrean port of Assab, which normally handles 70% of Ethiopia's trade, about the only thing now moving through it is food. A Shell Oil installation, which is under the front's control, is sending only 10% of the usual fuel supply to the rest of Ethiopia. Says a Western businessman at the port: "There is the definite feeling of a squeeze play here." Wary of the Eritreans, Ethiopian producers of coffee, the country's biggest export, are not sending their goods to Assab.

For now, the depen-



Day of Martyrs: Isaias addresses the people

"The referendum is not a problem for us. But we get many petitions saying, What is the logic behind a referendum? Just declare independence."

—Isaias Afewerki

dence is mutual. Upon assuming control, Isaias was shocked to discover that the money he needed to pay government workers was tied up in Addis Ababa banks; he is currently negotiating to release it. The Eritreans depend on the international community even more. "We need a massive aid transfusion," says Girma Asmeron, chief of protocol for the front. "If we don't get it, frankly, we're in trouble."

Of course, Eritrea's new relationship with Addis Ababa and the rest of the world may need some time to mature. Despite the tensions between their two camps, Isaias still speaks by phone every day to his old friend Meles Zenawi, leader of the rebel group that took control of Addis Ababa and now head of Ethiopia's provisional government. If a new multiparty transitional government—which was agreed upon last week—approves, ties between Eritrea and the rest of the country will be defined under an accord that calls for a mutual defense agreement and joint consultative committees on issues of security, economic affairs and the movement of people, goods and services.

The danger is that one side or the other will renege on the delicate understanding that has been reached. The Eritreans could simply declare independence without a plebiscite. Isaias says he has received many petitions from his people to do so. "We are free and we are independent," says Tekle Beyene, acting head of the Eritrean Relief Association. "We don't need a referendum to tell us that."

After three decades of civil war, Ethiopians are not eager to take up arms again, but many consider it an option for the future. "We don't need more war just now, but perhaps in five years we will go get Eritrea back," says a woman in Addis Ababa who has already lost one son in the civil war. That ordinary people are talking about sending their children off to war so soon after the killing has stopped is a measure of how precarious the situation remains.



The task now is to rebuild a war-ravaged land; like ghosts of the battle, wrecked armored vehicles litter Massawa



America Abroad

Strobe Talbott

A Wealth Of Nations

In an important respect, the 20th century has come full circle. Once again national groups are asserting themselves as nation-states: provinces are declaring themselves countries. Balkanization is back in fashion, and not just in the Balkans.

This atavistic trend is a direct result of the Soviet capitulation in the cold war. The core of communism was a strong center; it was from there that the orders and the troops came. A single ruler could intimidate or punish the farthest corner of his domain. The Yugoslavs used to say, "We have six republics, five ethnic groups, four languages, three religions, two alphabets—and one Tito." Now that there is no Tito, things fall apart; the center cannot hold.

Totalitarianism dies hard, taking innocents with it. But the Soviet military campaign against the Baltics has a spasmodic, last-gasp quality. Similarly, the late, unlamented Warsaw Pact was probably the only military alliance in history that did nothing but invade its own member states, and the Yugoslav army has finally seen action—in a civil war. The federal government's bullying of Slovenia is a reminder that fear and force are all that keep these decrepit regimes together.

The custodians of all this disarray are vulnerable as never before to censure, pressure and restraint from abroad. Mikhail Gorbachev wants and needs the approval and assistance of the West. When his friends George, Helmut and François urge him to call off the Black Beret commandos who are harassing the Baltics, Gorbachev listens. In fact, he obeys. (Whether the Black Berets always obey *him* is another matter.)

Tito's mastery at playing off East against West left him free to quash uppity subjects at home. Now that the East is out of the game, his successors must heed remonstrations from Bonn and Brussels. Among other things, that's where the

money is. And Belgrade, like Moscow, is desperate for financial help.

The 40-year standoff between the U.S. and the Soviet Union tended to reinforce long-established boundaries no matter how artificial or unwelcome they were to the locals. Any attempt to redraw the map might lead to superpower intervention, hence superpower confrontation. No one wanted that.

Third World dictatorships had their First or Second World patrons to help maintain borders and thwart secession. Only as long as the Kremlin armed Ethiopia was Mengistu Haile Mariam able to cling to Eritrea and his own position in Addis Ababa.

Now that it is so much easier for people to vent their grievances, pursue their aspirations and raise their flags, George Bush's instincts, formed during the cold war, sometimes seem outmoded. He has been too quick to endorse the status quo. By defeating Saddam Hussein but then letting him remain the President of Iraq, Bush chose the devil he knew over the uncertainties represented by Kurdish and Shi'ite rebels. In his response to the dizzying events in the U.S.S.R. and Yugoslavia, Bush has been slow to realize that multinational communist states are, almost by definition, relics of a cruel, failed ideology and therefore not viable in anything like their present form. The Balts and Slovenes are motivated by more than tribal passions: they want out of the system. So, incidentally, do a lot of Russians and Serbs.

Bush tends to speak about territorial integrity as though it were an absolute good and instability as though it were nearly the ultimate evil. These propositions made more sense as part of the bedrock of American policy when regional conflicts could escalate to global war, but that danger is past.

Others, of course, remain. Adam Smith said, "There is a great deal of ruin in a nation." There also going to be a lot of disorder in the new world order. The problem of nationalism requires managing, but not denial, and certainly not suppression.

So far, West European governments have been out front in meeting the challenge. In the aftermath of Operation Desert Storm, the leaders of France and Britain nudged Bush into establishing sanctuaries for the Kurds. The Ukraine, which is untiring many of its bonds to Moscow, finds Paris and Rome more supportive than Washington. In their attempt to defuse the Yugoslav crisis, the Europeans did their share of flailing around. But they still seemed a bit more responsive to the Slovenes than the U.S. initially did. The explanation goes beyond geographical proximity and relates to the transformation of the continent itself.

The demise of old countries and the birth of new ones are more likely to be peaceful if they occur in a cooperative international environment where economies are capitalist, trade is free, political life is democratic, security is collective, and some degree of sovereignty is pooled. Europe—thanks to the Common Market, the Helsinki process and the march toward integration in 1993—is closer to that ideal than anywhere else. Hence Slovenia, Lithuania and the Ukraine have somewhere to go. And, crucially, their masters in Belgrade and Moscow have less to fear in letting them do so.

It was an American President who put the issue best: "There must be not a balance of power but a community of power," said Woodrow Wilson in 1917. A year later, in his Fourteen Points, he specified that "guarantees of political independence" for "great and small states alike" would be possible only in "a general association of nations." Cast in those terms at the beginning of the century, the champion ship of self-determination is the right policy for the U.S. in the decade ahead.

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for America

The Nation Speaks Up

More than 400,000 of you tell us how to make the U.S.A. better.

Should schools bear more of a responsibility for teaching ethics and values? Should we sacrifice other scientific research in favor of research to save the environment? Eagerly, thoughtfully, you let us know what you think. In the first of these special sections featuring proposals for improving the nation, we asked you to help set up an agenda for America. As we went to press with this second edition in the series, more than 400,000 of you had responded.

On the ballot card we provided, you were asked first what the nation's three top priorities should be. Overwhelmingly, education was number one, chosen by 73.6%, followed by the economy (52.1%), environment (51.9%), crime and legal system (37.6%) and health care (31%). Far behind, in order, were science/medicine,

child care, military strength, shared values, global leadership and minority rights. Next, we asked if you would be willing to pay a special additional tax to finance the U.S. role in the Gulf War; the majority, 59.4%, said no. A full 71.8% agreed that, "to move forward as a nation, we must respect and preserve our cultural differences;" 75.2% said, yes, "schools must bear an increased share of the responsibility for teaching ethics and values to young people;" and 66.5% agreed that "our number one priority in scientific research should be research to save the environment."

A free, postage-paid ballot card with new questions is located behind this section. Please fill it out. We will report your answers in the next edition of the Rediscover America 1492-1992 series.

YOUR CHOICES AS THE TOP PRIORITIES

1. Education
2. Economy
3. Environment
4. Crime and Legal System
5. Health Care



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New Yorker Fifth Avenue

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Also available, our remote keyless entry system. A quick, easy

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Even something as simple as windshield wiper airfoils are included on all our cars. As speeds increase, aerodynamic pressure increases wiper pressure.

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touch of the button unlocks the door or trunk, disarms the theft alarm and turns on the lights inside the car. Consider the added convenience and safety when you're out late at night.

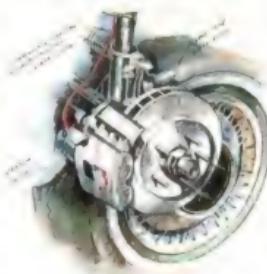
This concern for safety is engineered into every Chrysler New Yorker Salon, New Yorker Fifth Avenue and Imperial.

To solve the dangerous annoyance of headlights glaring in the rear view mirror, we offer the first electrochromic mirror! It automatically dims to reduce glare, while your hands never leave the wheel.

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Buckle up for safety.



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Ideas With A Payoff For Us All

Our military is a model of how people of all colors can move up the ladder together.

By Alex Haley

RACISM HAS DIMINISHED DRAMATICALLY WITHIN MY LIFETIME. BUT WHERE IT was once supported by law, modern racism is more subtly rooted—in evasive attitudes, in illusory perceptions and in denials that racism exists. Most frightening to me, personally, are reports of how racism is spreading on college campuses, the places that cultivate some of America's best minds. Once, the

late American Nazi leader George Lincoln Rockwell, told me, "The easiest thing in this world to sell is hatred."

What examples are there that racism exists where

Americans perceive it does not? The drug problem, for one. It attracted virtually no attention and no assistance from national policymakers when it seemed limited to the inner city—and today, the society at large suffers the results.

Other examples are part of the daily lives of blacks of every occupation and social level. What can be done about it? First, we must recognize racism's subtleties and own up to its impact; isn't it shameful that America's prisons contain more caged black men of college age than are enrolled in college? Next, we must make renewed effort and sacrifice to bring everyone into the mainstream, to create opportunity

and self-esteem. One of the legacies of slavery, followed by legal discrimination and separation of races, is a people mostly educationally impaired. America desperately needs a better educated workforce. To help develop the huge positive potential of blacks to improve this work force, we need

affirmative-action scholarships. And until there is an equitably and competitively educated work force, we need affirmative-action jobs.

We need other things, too. Should there be black studies programs in colleges and high schools? Indeed. There can be no true American history until it includes its ethnic components. Should the police and courts be reformed to reduce racism? Scholars and jurists, after careful study, have concluded that the entire criminal justice system needs to be revamped.

Mostly, we need action. The most shining example of what can be done to diminish racism is the U.S. Armed Forces. As a retired 20-year veteran, I can personally testify that up until World War II, our military forces, racially, were run like an antebellum plantation. But today, without question, our Armed Forces represent the most nearly fair model of opportunity within American society.

That happened because a Presidential Commander-in-Chief, Harry Truman, issued a policy, supported by military orders, that no further segregation nor discrimination would be permitted—and enforced it. Racism can be radically reduced when that goal is genuinely desired.

Of course we are blessed that the overall American society is not thus regimented. But the example does show that we can achieve some strides if we recognize and define our racial problems—including, in recent years, the unprecedented black racism against whites—and move with persistent leadership to solve them. No matter who instigates racism, we all suffer. We must—and we can—diminish the costs America pays for it. •

NEW WAYS TO HELP US CONNECT

I'd like to see compulsory national service for every man and woman at age 18. It could be military service, forest rangers, hospital help, work in the slums. What is central is that one has to give some portion of oneself to society.

—former National Security Advisor Zbigniew Brzezinski



ALEX HALEY

Haley's book, "Roots," won a Pulitzer Prize. Adapted as a mini-series, it drew the largest audience in TV history.

WORLD NOTES

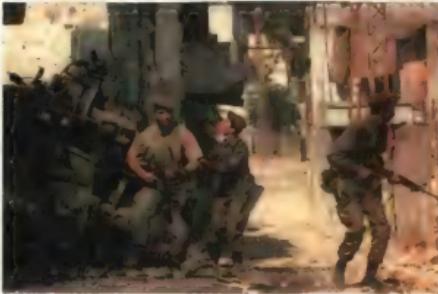
LEBANON

Tough Times For the P.L.O.

Things are going from bad to worse for the Palestine Liberation Organization. Just as it struggles to recover the credibility it lost by supporting Saddam Hussein, the organization has suffered a serious military setback in Lebanon. After its 5,000 fighters near the port city of Sidon were pummeled by the newly assertive Lebanese Army last week, the P.L.O. agreed to stop using Lebanon

as a military staging area. The group has now lost its only base within striking distance of Israel.

Until last week's fighting, the Palestinians had refused to follow the lead of most of Lebanon's armed groups and bow to the government's authority. In ejecting them, however, President Elias Hrawi was also aiming to compel Israel to withdraw from the security zone it set up in southern Lebanon in 1985 to shield against guerrilla attacks. The Israeli Defense Ministry said its forces would stay put.



■ Taking command: Lebanese soldiers search a Palestinian camp

HONG KONG

Who Runs the Colony Now?

Hong Kong's proposed new \$16 billion airport is more than a spectacular engineering project. Unveiled in 1989, the plan soon turned into a test of wills between London and Beijing. Since Britain had not previously consulted China, Beijing refused to give its approval, which was necessary for financing, and the project stalled. At issue: who runs Hong Kong before 1997, when China takes over?



A test of wills over a new airport

Last week the answer became clearer: Britain and China signed an agreement in which Beijing approved the project, but in turn London must consult Beijing on all major aspects of the airport's de-

velopment. Beyond that, China gained a voice in running Hong Kong.

Development. Beyond that, China gained a voice in running Hong Kong.

BRITAIN

A Taxing Problem

What do the simple folk do? Pay taxes. And if Liberal Democrat M.P. Simon Hughes has his way, Queen Elizabeth II will soon pony up her share. Hughes introduced a bill in the House of Commons last week requiring the Queen to pay taxes on the \$35 million she receives each year in private income from stock investments and land. The annual \$12.7 million she gets from the government for expenses would remain tax-free.



Queenly perks

It is unlikely the bill will become law. But Hughes' gesture is consistent with a growing public disapproval of the half-century-old perk that exempts the Queen—whose worth is estimated to be upwards of \$9.6 billion—from the 40% top tax rate her subjects endure. Publicly, Buckingham Palace had no comment on the bill; privately, officials concede that public opinion might persuade the Queen to pay up. Confided one: "She knows sooner or later she will be paying taxes, but if she agreed to it now, it would be seen to be bending to pressure."

NORTHERN IRELAND

Breakdown in Communications

An 18-month effort to bring stability to Northern Ireland ended abruptly last week as talks among political leaders of the province's majority Protestant and minority Catholic communities collapsed. Negotiations had barely begun when the leaders fell out over procedural issues, such as where meetings would be held and who would act as chairman.

The final straw came when

the Protestant unionists vowed to walk out unless British Secretary of State for Northern Ireland Peter Brooke, who initiated the peace plan, canceled a July 16 meeting with the Irish Foreign Minister that is part of a 1985 accord giving Dublin a role in running Northern Ireland. The unionists oppose the Republic of Ireland's participation, and to avoid a showdown, Brooke called off the peace talks. As the province entered the volatile summer season of Protestant parades, there seemed little hope of salvaging Brooke's plan.

COLOMBIA

No Extradition, No Murder

The Medellin cartel has not yet renounced the drug trade, but it does claim it is getting out of a subsidiary business: murder. The narcotics ring announced last week that it was ending its terrorist campaign, which has claimed the lives of hundreds of judges, journalists, police officers and other government officials during the past seven years.

"We have decided to dismantle our entire military organization," said the cartel.

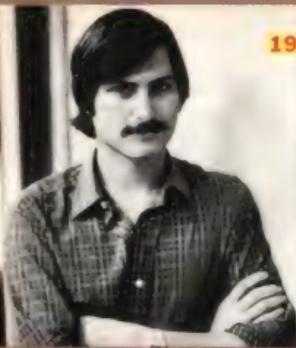
The syndicate's cease-fire

pledge was prompted by a new constitution that went into effect last week prohibiting the extradition of suspects in drug crimes. It is hard to believe the narcotics lords will truly mend their ways. Yet in Colombia the



Scene of a 1990 car bombing by the cartel

true brought a sense of relief, allowing President César Gaviria Trujillo to lift a state of siege declared in 1984 after traffickers killed a government minister.



1977



1981



1983

The Silicon Valley upstart, co-founded by Steven Jobs a year earlier, introduces the Apple II. Considered to be the first practical personal computer, it's an instant hit.

Amid much fanfare, IBM unveils its first PC. Unusually and richly priced, it nonetheless is embraced by Big Business.

Former Pepsi-Cola president John Sculley is recruited to run the fast-growing Apple. Sculley brings fiscal and managerial discipline to the laid-back company.

Business

ALLIANCES

Love at First Byte

Giving up their blood rivalry, Apple and IBM join forces to develop bold new hybrids in personal computers. The chemistry may be just right.

By THOMAS MC CARROLL

From opposite ends of the U.S., they carried on the computer industry's fiercest rivalry. Based in suburban New York, International Business Machines has long looked down on Apple Computer, dismissing it as a ragtag bunch of rabble-rousers. Miles away, in both distance and culture, Silicon Valley-based Apple (1990 revenues: \$5.6 billion) attacked IBM (\$6 billion) as an impersonal bureaucracy, mocking the company in TV ads as Big Brother and depicting its customers as lemmings. The warring companies forced computer users to choose sides, sometimes dividing family members against one another. Those wanting easy-to-use, almost organic software favored Apple, while others threw their lot behind IBM because its PCs were backed by a wider assortment of programs.

But in a rapidly changing industry, IBM and Apple have found much in common lately. After years of dominating their own spheres of influence, they now face similar woes: declining market share, relentless low-cost competitors and rapidly aging technology. While IBM and Apple remain the biggest players, with a combined market share of 38%, their rivalry has lost its potency, as brand loyalty has given way to

price competition. Today IBM and Apple are more like a pair of aging prizefighters whose bouts get second billing.

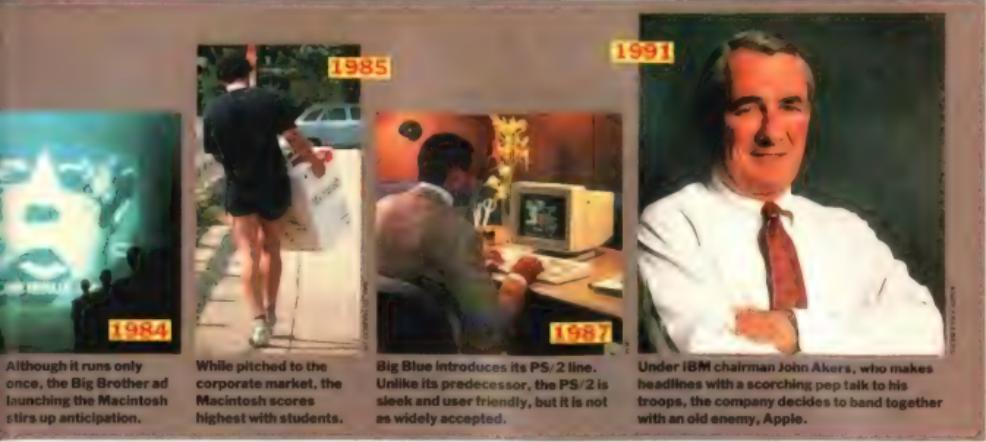
The two companies decided last week to put away their boxing gloves. IBM and Apple plan to join forces and share technology in a potentially powerful partnership that could reshape the computer industry. The culmination of weeks of cross-country negotiations, the collaboration could help plug large gaps in their product lines and position both companies for the future. Among the elements:

- The two companies will form a joint venture to develop an advanced operating system, the basic controlling software of computers, which IBM and Apple will use in their machines and sell to other companies.
- Apple's user-friendly Macintosh system will be integrated into IBM's product line, including the large computers that serve as the heart of corporate systems.
- Apple will gain access to IBM's advanced, high-speed microprocessors, which will be incorporated into future editions of the Macintosh and other machines.
- The two computer makers will seek to develop a new generation of high-powered, multimedia hardware and software, which could be marketed under both brand names.

The deal represents a major realignment in the PC industry. "Who would have thought these two companies could possibly see eye to eye on anything? It's like a surfer girl marrying a banker," declared Richard Shaffer, publisher of *ComputerLetter*. If the venture is successful, adds Shaffer, "it could create the most fearsome force in computing ever." Machines made by the two companies could become virtual look-alikes, which would not only eliminate the need for consumers to choose sides but also end much of the confusion prevalent in the industry over the lack of standards.

None of this would have been thinkable a decade ago. Apple founders Steven Jobs and Stephen Wozniak were riding high on the widespread acceptance of their best seller, the Apple IIe, when IBM launched its PC in 1981. While it was bulky, expensive (\$2,600, vs. \$1,395 for the Apple machine) and difficult to use, the PC was quickly adopted as the industry standard because IBM had a lock on the Big Business market. Apple eventually sold nearly 3 million of its IIe's, mainly for school and home use, but the company was largely shunned by corporations.

When Apple unveiled the revolutionary Macintosh in 1984, the rivalry with IBM reached full boil. Taking on Big Blue



Although it runs only once, the Big Brother ad launching the Macintosh stirs up anticipation.

While pitched to the corporate market, the Macintosh scores highest with students.

Big Blue introduces its PS/2 line. Unlike its predecessor, the PS/2 is sleek and user friendly, but it is not as widely accepted.

Under IBM chairman John Akers, who makes headlines with a scorching pep talk to his troops, the company decides to band together with an old enemy, Apple.

had become an obsession for the Silicon Valley boys, who called themselves "Blue-busters." Jobs launched Macintosh with an evangelistic zeal, exhorting an auditorium packed with dealers, customers and employees. "IBM wants it all and is aiming its guns on its last obstacle to industry control, Apple. Will Big Blue dominate the entire computer industry...? Was George Orwell right?" As the frenzied crowd shouted a chorus of "No!," Jobs cued a now notorious TV commercial known as "1984," which was to run only once, during the Super Bowl. The ad showed workers staring zombie-like at a Big Brother on a viewing screen, which a heroic female athlete smashed with a sledgehammer.

Offering stunning graphics and a stylish design, the Macintosh caught on well in the home and school markets, where Apple's machines now outsell IBM's by a two-to-one margin. Big Blue has always been frustrated in those markets. In the mid-'80s, IBM offered the PCjr, a stripped-down version of its best seller, but the machine flopped because it couldn't operate many of the heavy-duty software programs designed for the PC. Yet IBM has virtually locked Apple out of the office market, mainly because IBM's operating software has been adopted for 90% of the PCs now in operation. Apple has never been able to match its rival's marketing clout either. The California company's sales force is about a tenth the size of IBM's.

Lately, changes in industry taste have reduced the relevance of the IBM-Apple rivalry. Rather than choose sides, customers now insist that computers work together in networks, regardless of the make or model. That has harmed Apple, since its operating software is not the most compatible. But it has been no blessing for IBM either, because its operating system is so common that customers often prefer to buy clone machines that work like IBM's but cost less. Customers have become

more concerned about price than brand names or even high performance. That has turned things upside down for IBM and Apple, which find themselves struggling to make their products less distinctive and more compatible with their other rivals. Apple has developed desktop computers that not only run its Macintosh software system but also use the same disk operating system—or DOS—used by IBM models. And Big Blue has countered with desktop computers that are more user friendly, in the spirit of Macintosh.

Yet neither IBM nor Apple has been able to halt customer defections. IBM's market share in PCs has dropped by half, to 23%, while Apple's has declined to 15%, from 18%. The changing marketplace has forced both companies to make some painful adjustments. In the largest layoff in the company's history, Apple will pare 1,500 jobs from its payroll this summer, a reduction of about 10%. The company is expected to post an earnings decline for the past quarter, largely because of price cutting. IBM, which during the January-March period reported the first quarterly loss in its 80-year history, plans to reduce its labor force by some 14,000 workers this year, a 4% cut.

Another problem that drove IBM and Apple into each other's arms is their growing friction with some powerful partners, most notably Microsoft, the suburban Seattle software giant run by wunderkind billionaire William Gates III. Microsoft was the creator of MS-DOS, the software that runs the IBM PC, but the two companies have had a falling out over the next generation, called OS/2, which runs IBM's line of PS/2 computers. Microsoft developed OS/2 as well, but IBM believes the software company has undermined sales of that software by pushing a highly successful program called Windows 3.0, which enables old MS-DOS software to work much

like a Macintosh. That has also alienated Apple, which contends that Microsoft stole elements of Windows from Macintosh programs. The new IBM-Apple venture, which will develop its own software, could spell the end of OS/2 and any remaining relationship with Microsoft. "We're flabbergasted," says Steven Ballmer, Microsoft's senior vice president. "This does not bode well for future cooperation between IBM and Microsoft."

The new alliance scorns another powerful company, Intel, which has supplied the microprocessors for IBM's machines and has commanded an almost monopoly position as a maker of IBM-compatible chips. Possibly to foster more competition, the new partnership says it will buy advanced processors from Illinois-based Motorola, whose chip business has been suffering lately because some of its big customers, including Unisys, have been in decline. IBM has been busy lining up other partnerships as well. Only a day after announcing its deal with Apple, IBM said it would join forces with Germany's Siemens A.G. to produce a powerful new 16-megabit memory chip, which will hold four times as much data as current models. The collaboration could give IBM-Siemens a leg up in the race against Japanese companies to bring the new chip to market.

The IBM-Apple combination has its risks. Most PC joint ventures have founders, and this one will have to stand the test of vastly differing corporate cultures. Consumers could be disillusioned with both companies at first, viewing Apple as selling out and IBM as consorting with free spirits from the West Coast. But if the collaboration works as well in practice as it is planned on paper, the biggest winners will be the customers. Consumers will no longer have to worry about divided loyalties and incompatible programs. They won't be in Apple's orbit or IBM's, but in the best of both computer worlds.

FINANCE

The Large Economy Size

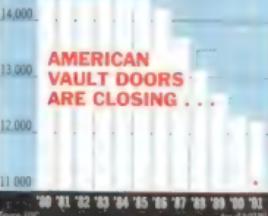
As the U.S. braces for a colossal wave of bank mergers, customers wonder whether bigger will be better

By JOHN GREENWALD

If your local bank has not yet been gobbled up by a larger one, chances are it will be in the next few years. Burdened by too many banks chasing too few customers, the troubled industry is headed for a surge of mergers that will determine its survival and affect the way Americans borrow and save. Acquisitions and closings have already shrunk the number of U.S. bank holding companies, which own one or more banks, from nearly 13,000 a decade ago to 10,000 today. With bills now before Congress to permit big banks to take over smaller ones anywhere in the country with ease, experts predict that just 7,000 banking firms could be left within five years.

The big buyers so far have been regional banks that are bulking up at a furious pace. In a deal that would create a banking company second in size only to Manhattan's Citicorp, North Carolina's NCNB began merger talks last month with C&S/Sovran, a company based in Atlanta and Norfolk, Va., that grew out of a regional combination just a year ago. Even as those talks got under way, Wachovia, another aggressive North Carolina firm, agreed to acquire South Carolina National for \$835 million. And last week Providence-based Fleet-Norstar completed the acquisition of Boston's failed Bank of New England, which banking regulators spent \$2.5 billion to bail out this year. "Fleet-Norstar is now the Beast of the East. It is now the dominant bank in New England," says Don Kauth, who follows the industry for the securities firm First Albany.

Number of insured U.S. commercial banks



**AMERICAN
VAULT DOORS
ARE CLOSING . . .**

Banks are rushing to merge because consolidations, when well managed, enable them to slash their costs and expand into new markets. After a merger, banks typically close overlapping or unproductive branches and lay off managers and workers who are no longer needed. At the same time, banks can reap big savings by combining their computer systems and clerical operations. All that can ensure higher

customer service and lower costs. "Banks can't produce magic," says Lawrence White, a New York University economist. "You can't save big banks by simply jamming them together."

Many highly touted bank mergers of the past decade have turned out to be flops. According to a 1990 study by the consulting firm FMCG Capital Strategies, investors believe most deals made by the top 200 U.S. bank holding companies during the 1980s were fruitless. "The fate of the typical acquirer was that its stock price four or five years after the acquisition was only about 65% of what it would have been without the merger," says FMCG president James McCormick. The problem, he notes, was that purchasers usually paid about twice what target banks were worth and then could not boost profits enough to recoup their investments.

Some experts are casting a critical eye at the proposed NCNB-C&S/Sovran deal. While that merger would create a powerhouse with an initial 1,900 branch offices in nine states from Maryland to Texas, both banks are still contending with loan problems they acquired in the '80s. C&S/Sovran remains burdened by troubled mortgages in the Washington area that it inherited from a predecessor company. And NCNB is struggling with its own real estate loan problems across the Southeast. Moreover, a deal could lead to a culture clash between NCNB, run by the gruff ex-Marine Hugh McColl, and C&S/Sovran's more laid-back Deep South management. "It's an absolute monster," says Texas banking consultant William Ferguson of the proposed merger. "It's going to be a lot to digest."

Some banks have avoided the risk of overreaching by clinging to their homey, small-town habits. Ohio's Banc One has grown from 18 banks in 1980 to some 50 banks in the Midwest and Texas, with combined assets of \$44 billion. But Banc One still concentrates on loans to consumers and small- and medium-size companies. The bank puts local managers in charge of all lending decisions. "The owner of Sam's

profits and boost the banks' ability to make big loans at home and abroad.

But is bigness a boon to customers? The '90s-style merger fever has stirred fears that buyouts could lead to more stringent, impersonal lending policies and higher service fees as new owners seek to make their deals pay off. While banking analysts insist that surviving local banks and other lenders will give customers plenty of choices, many consumer advocates remain unconvinced. "Even though there are far more banks in the U.S. than in any other nation, many communities are underserved, particularly in rural areas," says Stephen Brobeck, executive director of the Consumer Federation of America. "We worry that many communities could well lose banking services."

Even banking behemoths in New York and California feel compelled to bulk up. But since many are too freighted with bad debt to compete with hard-charging regionals for attractive merger partners, the big urban banks may have little choice but to join forces with one another. Banking experts believe that such Manhattan giants as Chase, Chemical and Manufacturers Hanover are ripe for consolidation. Yet no deal will shore up the faltering banks for long unless they can clean up their loan books and raise fresh capital. "Mergers

... YET THE U.S. IS STILL OVERBANKED BY COMPARISON

Commercial banks,
latest figures



Business

Machine Shop wants to get his loan from someone he sees at the Kiwanis Park or on the golf course," says Banc One chairman John McCoy.

Banc One retains that folksy approach at such branches as its office in Waukesha, Wis., which has gone through three successive ownership changes since its days as the First National Bank of Waukesha ended in the 1970s. "They've always treated me right," says John Maday, 64, a semiretired salesman and longtime customer. Munching a cookie from a tray in the lobby, Maday notes that many old-timers still return on the first of each month to deposit their

Social Security checks. Says he: "I would think they would be the first to leave if they felt the bank had lost the personal touch."

Small banks can use that same touch to keep their customers and their independence in the face of the merger onslaught. In Alexandria, Va., president Taylor Burke fosters loyalty to his family's 139-year-old Burke & Herbert Bank & Trust while walking the floor with a parrot on his shoulder and, as he puts it, "treating people like human beings." That can mean anything from greeting customers by their first name to speedily granting them a wide

range of loans. Such heedfulness may be one of the things that Americans would like most from the U.S. banking system.

In an Associated Press poll released last week, 55% of the 1,000 adults surveyed called the banking system unsound, vs. 38% who said it was on a solid footing. If mergers are done well, they could go a long way toward shoring up the sagging system. But even well-run giants must guard against sacrificing the services and personal touches that are part of America's banking heritage.

—Reported by
William McWhirter/Detroit and **Richard Woodbury**/Houston

Do We Really Need Banks Anymore?

As Congress haggles over a plan to rejuvenate the banking system, a central question is going unasked: Does the U.S. economy even need banks?

To many Americans, the idea of a bankless society may seem inconceivable. Not only have banks provided everything from Christmas clubs to car loans, but they have acted as hubs of the community as well. Yet today consumers and businesses can conduct virtually all their banking needs, from opening up a government-guaranteed checking account to getting a mortgage, without ever having to set foot in an actual bank. Now some or all of these services are offered by insurance companies, brokerage firms and such finance companies as Ford Motor Credit and Westinghouse Credit, often at more attractive rates than banks can offer. "Banking's preserve has been invaded. There is simply nothing unique about banking any longer," notes University of California, Berkeley, economics professor James Pierce in his new book, *The Future of Banking*.

Want an auto loan? Simply go to your car dealer, who can provide a loan from one of the financing arms of the big automakers. Want a home mortgage? Call an insurance company or even a Wall Street securities firm. More and more Americans are doing just that. At the end of 1990, banks held a mere 16% of the \$3 trillion in residential mortgages outstanding, and less than half of all auto loans.

Savers don't need banks any more than borrowers do. Those who want to open a checking account and earn healthy income on their deposits can do so through a cash-management or money-market account with a brokerage firm. Some people shy away from such accounts because they aren't protected by the Federal Deposit Insurance Corp., but they now have reason to reconsider. One Wall Street company, Prudential Securities, has an "insured income account," including checking privileges, that comes with the FDIC's \$100,000 guarantee. (To get the government protection, the parent company, Prudential Insurance, bought a finance company covered by the FDIC.)

The business community has an even greater variety of nonbank choices to meet its financing needs. Blue-chip com-

panies now turn elsewhere to borrow most of their money. Firms can raise short-term cash at lower rates by selling commercial paper; for longer-term money, they can issue bonds. Even small and medium-size firms, a vital source of business for banks, have many borrowing sources. The financing arms of General Electric, General Motors and Ford, which offer loans to businesses, are among the 10 largest financial institutions in the U.S.

Another class of private creditors that has encroached on the turf of banks is asset-based lenders like Congress Financial, in New York City. These firms, which lend money to companies based largely on the value of the borrower's collateral, have tripled their loans outstanding to more than \$100 billion over the past five years. Even the junk-bond market has bounced back as a source of funds for U.S. companies.

Foreign lenders have also expanded their reach in the U.S. market. By having access to cheaper funds overseas and avoiding some of the regulations that bind U.S. institutions, foreign banks can package loans at hard-to-beat interest rates. The result: they made 30% of all loans to American companies last year, up from 18% a decade ago. All this competition has taken its toll on the U.S. banking industry, which now holds only a 30% share of business loans.

Banks still offer a few things almost exclusively, like automatic teller machines. But even there, American Express offers a network of ATMs, as do several other companies.

Have the U.S. banks thus become obsolete? The answer is that they still have a role to play, but a far smaller one, since they are no longer the only game in town. Beset with an overhang of poor-quality loans from the 1980s and new challenges in all the bread-and-butter businesses, banks have lost their financial edge—and then some. "The nonbank companies have smelled blood in the banking system, and they have moved in to gain market share," says Edward Yardeni, chief economist for the Wall Street firm C.J. Lawrence. "To survive, the banks are going to have to restructure, repair their balance sheets and drop in number closer to 5,000 by the end of the decade." The banks that remain, the strong and progressive ones, will be the better for it.

—By **Bernard Baumold**



Source: The Boston Consulting Group

SCANDAL

Tying an Octopus in Knots

A tenacious, corrupt empire meets its match when a global phalanx of regulators seizes the offices of B.C.C.I.

By JOHN GREENWALD

The crackdown was as swift and implacable as a military operation. Shortly after noon last Friday, British authorities strode into the steel-and-glass London headquarters of the Bank of Credit & Commerce International, a notorious cash conduit for drug smugglers, arms dealers and rapacious tyrants. Seizing control of the office, the regulators told bank employees to stop working and go home. The move coincided with similar sweeps of B.C.C.I. operations in Luxembourg, the Cayman Islands, France, Spain, Canada, Switzerland, the Netherlands and the U.S., where regulators shut the bank's loan offices in New York City and Los Angeles. The combined actions placed more than 75% of B.C.C.I.'s \$20 billion of assets in 69 countries in government hands and wrested control of the empire from the bank's Middle Eastern ownership.

The wave of shutdowns marked the most drastic attack yet on a shadowy institution that investigators have called the most corrupt corporate enterprise in modern history. Those ensnared in its toils include former Defense Secretary Clark Clifford, the chairman of Washington's First American Bankshares, which B.C.C.I. secretly gained control of during the 1980s. Bank regulators have been probing B.C.C.I. with increasing intensity since last year, when an audit found that more than \$1 billion had vanished from its vaults and the bank pleaded guilty to laundering drug money in a case linked to former Panamanian leader Manuel Noriega. Astonished investigators have since put the amount of missing funds at \$10 billion.

Authorities in the U.S. and Europe launched their blitz last week, after a Bank of England report uncovered "widespread fraud at the B.C.C.I. Group in a number of jurisdictions and stretching back over a period of years." That clearly confirmed what the governments had long suspected. "It's so bad the auditors couldn't even put together a balance sheet," said William Taylor, staff director of the U.S. Federal Reserve Board's banking supervision and regulation division. Taylor said the Bank of England had been seeking for months to restructure B.C.C.I. "All of a sudden they realized this isn't problem lending," he explained. "This is criminal fraud."



BANK OF CREDIT AND COMMERCE INTERNATIONAL



Frustrated by Sheik Zayed's faltering attempts to clean up the bank, regulators shut branches like this one in Luxembourg.

The worldwide closures were a resounding vote of no confidence in B.C.C.I.'s owner, Sheik Zayed bin Sultan al-Nahayan, ruler of the United Arab Emirates. Zayed bailed out the bank last year by acquiring control for \$1 billion from Arab partners of Agha Hasan Abedi, a visionary Pakistani financier who founded B.C.C.I. in 1972 and built it into a secretive global giant. But while Zayed put up some \$200 million in recent months to help First American cope with real estate loan problems in Washington, regulators have grown increasingly dismayed by the sheik's inability to place B.C.C.I. on a sound footing. Says a European banking expert: "Perhaps now we will see months of intolerable dithering come to an end as the Abu Dhabi government at last puts B.C.C.I.'s house in order."

That has been impossible so far, be-

cause Abu Dhabi factions close to B.C.C.I. have kept Zayed from learning the full extent of the bank's problems, insiders say. Some of the sheikdom's most knowledgeable bankers fear reprisals from what they believe to be a clandestine group based in Karachi that specializes in "black operations," among them kidnapping, extortion and blackmail. "Anybody who tries to tell His Highness what has really gone on with the bank will be killed," an apprehensive Abu Dhabi official told TIME.

One of B.C.C.I.'s nefarious dealings was a deep involvement in clandestine arms sales, including transactions among enemies that wanted to keep their dealings secret. "If Israel wanted to funnel arms to Middle Eastern states, such as Iran or Iraq, B.C.C.I. was there to handle it," says a former State Department official.

Zayed may have to work fast to salvage any portion of B.C.C.I. before the world's courts dispose of its assets. "The bank will be wound up under the laws of each country," said a Bank of England spokesman. "Depositors and shareholders will be treated according to the law."

The Federal Reserve rushed to assure customers of U.S. banks linked to B.C.C.I. that their funds remained safe. The Fed said the closing would have no effect on units of First American Bankshares or on Independence Bank of Encino, Calif., which B.C.C.I. also secretly owned.

"These banks are separately capitalized, U.S. chartered and federally insured institutions," the Fed said. B.C.C.I. is already under orders to divest itself of both institutions by the end of the year.

Prosecutors will keep their sights trained on the bank long after that. Grand juries in Miami, Washington and New York City are probing B.C.C.I.'s U.S. activities. A second Miami grand jury is looking into the bank's ties to Florida's CenTrust Savings and Loan, which collapsed last year. Subjects of the New York investigation include Clifford, who has said he was unaware that B.C.C.I. owned First American.

While B.C.C.I.'s U.S. and European holdings are now in government hands, ending the bank's influence in the Third World could prove to be more difficult. In such places as Jamaica and Nigeria, B.C.C.I. has woven itself firmly into the fabric of the country by holding substantial government deposits. Sheik Zayed may have to restructure the remains of those branches if the host countries don't have the gumption to do so. But regulators have at last corralled a runaway global maverick that was left unbridled far too long. —Reported by Jonathan Beatty/Abu Dhabi and S.C. Gwynne/Washington

BUSINESS NOTES



The 300SE: A little chubby in the chassis?

AUTOS

Mercedes Bends

A favorite car of fat cats now seems to be suffering from a weight problem of its own. Mercedes-Benz heralded its new "S-class" autos as "the best cars in the world" when they were launched in March, a pointed dig at newly arrived Japanese rivals in the luxury market. But the S-class dream car has collided with the no-kidding-around standards of the German government, which re-

quires car companies to declare the "gross weight" of their models in actual use. *Auto Motor und Sport*, an industry magazine based in Stuttgart, pointed out that when a Mercedes 300SE is loaded with such hefty but popular options as

air-conditioning and an automatic transmission, only 576 lbs. worth of frills like passengers and their luggage brings the car up to its registered gross weight of about three tons. That has provoked much German ridicule for the obese auto. An *Auto Motor und Sport* reader observed that the new car would be useful only for carrying four toothbrush-wielding dwarfs to a nudist colony. The embarrassed automaker solved the problem with paper-shuffling panache, persuading the government to add 308 lbs. to the car's official weight. ■



A Lite ad: out to prove "it" has what it takes

ADVERTISING

Is That All There Is?

The controversy was more familiar to Americans than the Lincoln-Douglas debates. For 17 years, argumentative ex-athletes wrestled with the weighty question of whether they drank Miller Lite beer because it "Tastes great!" or is "Less filling!" The ad campaign created a vast demand for low-calorie brews at a time when Miller Lite was virtually the only supply—in 1975 it constituted

96% of light-beer sales. However, the 1980s produced challenges from Coors Light and Bud Light, which drained Miller's share to 33%.

Miller Lite will counterattack this week by abandoning the taste-vs.-calories contretemps in favor of a new slogan. "It's It. And That's That," goes the Zen-like outpouring of pronouns. The campaign is the creation of Chicago's Leo Burnett agency, which landed the \$110 million Lite account in March, muscling aside Manhattan's Backer Spielvogel Bates. The new theme, pitched particularly to women and younger drinkers, seems to imply that Lite has supplanted traditional brew as the real thing. In one Lite-hearted spot, a delivery truck is seen losing the first and last letters of the product's name, leaving behind only "it." ■

LITIGATION

He Wouldn't Play the Game

Should a party in a divorce case have to fork over money never earned? Yes, if the person basically threw it away, according to a New York state judge. Mark Gastineau, the former New York Jets defensive end known for his opponent-taunting dances, walked out on the team after only six games of the 1988 season to spend time with his fiancée, actress Brigitte Nielsen. Gastineau was then earning \$46,000 a game. Last month the judge ruled that Gastineau's wife Lisa, who had sued for divorce in 1986, was owed one-third of Gastineau's forfeited salary—more than \$100,000—because the footballer

had "wasted" a marital asset. Nielsen, the mother of Gastineau's 19-month-old son, has left him to pursue her film career. Gastineau, once bent on being a professional boxer, is reportedly seeking work as a sportscaster. ■



Gastineau's time with Nielsen was costly

COMMUNICATIONS

Disconnected, Part 2

In a country with the world's most renowned phone system, plain old breakdowns aren't supposed to happen. But lately America has been coming unhooked. The most recent epidemic began on June 26, when 6.3 million customers in Washington, Maryland, Virginia and West Virginia lost service for up to eight hours. The same day, phone circuits went haywire in two Southern California area codes. Then, last week, 1 million Bell of Pennsylvania customers temporarily lost service, as did dialers in San Francisco. The scourge of breakdowns was eerily reminiscent of the January 1990 collapse of AT&T's long-distance system.

Most of the outages were quickly corrected, but repairing confidence may take a while longer. After discounting

sabotage or a computer virus, investigators focused on the common thread shared by the stricken areas—they all use a computerized super-operator dubbed Signaling System 7, which automatically chooses the most efficient route for each call.

At week's end the maker of the SS7 network, DSC Communications, declared that flaws in its own software had triggered the plague of busy signals and dial tones. The Texas-based company said it would make alterations in the affected phone systems that should act "like a fuse on a power line" and prevent small glitches from escalating into major breakdowns. ■

COVER STORIES

The Fight over Food Labels

By launching a holy war against misleading claims, the government could clear up some of the confusion on supermarket shelves and help Americans become healthier consumers

By CHRISTINE GORMAN

Like many a red-blooded American, Olivia Vavreck of Minneapolis loves a good prime rib and a baked potato smothered in butter. But ever since she checked into the hospital with chest pains last year and learned that her cholesterol level was in the upper stratosphere, the 57-year-old office manager has tried to cut down on the fat in her diet. Easier said

than done. Although the labels on every other product in the grocery store promised nutritional nirvana, Vavreck found herself floundering in quagmires of grease, salt, corn syrup and other dubious digestibles. "I thought I was doing pretty well because I was always buying the stuff that said 'low cholesterol' or 'no cholesterol,'" she recalls. "But then I found out that the fat content in some of them is so high that they're still bad for you."

About half of all consumers say they

depend on labels to determine which food to buy. "I see so many women reading labels now, they run the risk of having their pocketbooks stolen," says Jane Bohanan, an Atlanta homemaker. Yet a casual stroll down the aisles of a supermarket reveals just how often Bohanan and other shoppers are being shamelessly deceived.

► Budget Gourmet Light and Healthy Salisbury Steak, which is labeled "low fat," derives 45% of its total calories from fat.

► Diet Coke contains more than the one



heavily advertised calorie per can (so does Diet Pepsi).

► There is no real fruit—just fruit flavors—in Post Fruity Pebbles.

► Honey Nut Cheerios provides less honey than sugar and more salt than nuts.

► Mrs. Smith's Natural Juice Apple Pie contains artificial preservatives. The word natural refers to the fruit juice used to make the pie.

If you can't trust Mrs. Smith, whom can you trust? "The labels are all distorted," says Donna Krone, 41, an attorney in New York City who tries to sandwich a healthy diet into her high-pressure workweek. "The whole mess makes me want to just give up and order in Chinese food."

More and more shoppers have awakened to the scope of the deception and reacted with disgust and contempt for product labels. Fully 40% of consumers claim they are highly skeptical of what they read on the packages in their grocery carts. And medical experts see a distinct danger in the muddled messages. "For someone with chronic heart disease, hypertension or diabetes, the current manufacturers' labels can be downright dangerous," says Gail Levey, a spokeswoman for the American Dietetic Association. People with high blood pressure, for example, should be wary of falling for Stouffer's Lean Cuisine, which proudly boasts "Never more than a gram of sodium" in its print advertisements. While the claim is true, the implication—that this is a very low-salt product—is not. Nutritionists normally measure sodium in milligrams (thousandths of a gram), not grams. Several diet delights

from Stouffer's contain almost half the amount of sodium allowed daily on a typical salt-restricted diet.

Throughout the past decade, federal food watchdogs napped to the sounds of this cacophony of false claims. The Food and Drug Administration virtually invited abuse by lifting its own long-standing ban against health promotions on food labels. But the deregulatory winds have shifted, and the sleeping sentry has awakened. In a blaze of whistle blowing, the FDA, headed by tough new commissioner David Kessler, is cracking down. The agency has begun seizing products with misleading labels, developing new guidelines for nutritional information and exposing hollow health claims.

Kessler's utterly novel vision: that consumers should easily be able to tell what they are ingesting by reading what is written on food labels. "I'm not one to tell people what to eat," he says. "But for those who want to use information, for those who really care or are at risk of heart disease, we have an obligation to make sure the information is conveyed in a useful way."

Already Kessler has fired several salvos at deceivers. First hit was Procter & Gamble. The conglomerate had received numerous letters from the FDA complaining about the labeling of its Citrus Hill Fresh Choice orange juice, which is made from concentrate. In April, Kessler instructed his inspectors to publicly seize 2,000 cases of the juice. Two days and many headlines later, the company, based in Cincinnati,

agreed to remove the term fresh from its label. Soon after, executives at Ragù Foods of Trumbull, Conn., consented to drop the offending word from their Ragù Fresh Italian pasta sauces, which, like many other prepared sauces, are heat processed. In May the FDA ordered that the "no-cholesterol" claim be removed from Best Foods' Mazola Corn Oil and HeartBeat Canola Oil, made by Great Foods of America. Like all plant oils, these products never contained cholesterol.

Just last week Kessler's FDA took aim at juice producers by proposing new regulations that would force them to disclose for the first time exactly how much and what kinds of juice are in their fruit-juice drinks. Such a rule would reveal, for instance, that Veryfine drinks contain only 10% fruit juice. It would also inform consumers that even the claims made by many cranberry and raspberry drinks to be "100% juice" are somewhat misleading: they are filled with deflavored apple or grape extracts that are little more than natural sugar water.

Congress supplied Kessler with the ammunition for his consumers' crusade last fall, when it passed the Nutritional Labeling and Education Act. The law, which sailed through both houses unopposed, requires new, straightforward labels for all foods, including fresh fruits and vegetables. While the changes will not become mandatory until May 1993, the FDA has until November of this year to come up with proposals for what the new labels should say. In addition, public pressure is mounting—from such groups as the American Association of Retired Persons, the Amer-

MARIO RUIZ/FOR TIME



Health

ican Heart Association and the National Parent-Teacher Association—to revamp the labels on meat and poultry, which are regulated separately by the U.S. Department of Agriculture.

While the nutrition act does not apply to restaurants, where a growing number of Americans are eating many of their meals, some proprietors have jumped on the bandwagon with knife and fork in hand. Jeff Prince, senior director of the National Restaurant Association, says that labeling the menus at table-service restaurants probably will not work in most cases, but 80% of fast-food franchises have begun to provide nutrition information. "The recession has driven a lot of this," Prince explains. "When a significant portion of the population wants ingredient information, that number can make the difference between success and failure."

Kessler is waging a crusade well suited to the 1990s: it involves no new money. In fact, during the past decade the FDA has been given a host of new and taxing responsibilities, including the oversight of

the generic-drug industry, the evaluation of hundreds of AIDS treatments and now the redesigning of food labels. Yet the agency's budget has not increased proportionally. "We've had to divert people from laboratory work, and we've brought people in from the field," says Ed Scarbrough, the chief architect of the FDA's new labeling program. He believes that the task of coming up with revised guidelines would require 120 people. He has just 30.

The relabeling effort may cost food manufacturers \$600 million during the next two decades. They will pass on the tab to consumers, but fortunately it is very low: only about 11¢ for every \$100 worth of groceries, according to government estimates. Even the most conservative projections place the potential benefit from reduced medical costs and increased productivity at \$3.6 billion. If everyone who reads labels were to adopt a healthier diet, the savings could jump to more than \$100 billion.

Americans have a long history of prodding government to act

when public health and dietary issues are at stake. Popular outrage over the Chicago meat-packing scandals, revealed in Upton Sinclair's 1906 classic, *The Jungle*, gave rise to both a meat-inspection law and the predecessor to the modern FDA. The discovery, during World War II, that many draftees suffered from beriberi and other vitamin B deficiencies led to the government's creation of the Recommended Dietary Allowances for vitamins and minerals.

But times have changed. "Now nearly everyone agrees that there are virtually no deficiencies in the American diet," Scarbrough says. "The problems today are from overnutrition." Particularly overeating on fat, cholesterol and overall calories. As a result, health professionals are more concerned about chronic maladies related to overnutrition, such as heart disease, cancer, some forms of diabetes and obesity. They no longer simply count calories but look at the composition of the entire diet.

The main culprit, everyone con-

WHAT YOU SHOULD LOOK FOR

The FDA is considering several new designs for food labels. Here is a guide to a proposal favored by many consumer groups.

CALORIES

The dieter's mantra: To lose weight, you must decrease the calories you eat or increase what you burn off by exercise. Average daily consumption is 2,290 for women and 2,900 for men. But don't obsess over them; more important than the number of calories is where they come from.

CALORIES FROM FAT

This new entry is what's truly important. Healthy eaters should get less than 30%—rather than the 40% most Americans get—from their calories from fat. An even better label would also show the calories from fat in percentage terms.

FAT

Public Enemy No. 1: bad for your waistline, and associated with heart disease and some types of cancer. A mere tablespoon is all the body really needs each day. Alas, the globules are what makes steaks succulent, desserts creamy, and tangles the tongue.

SATURATED FAT

A new listing. The worst type of fat for your heart. It's plentiful in meat, milk and palm oil, but not in most vegetable oils. Keep to a bare minimum.

CHOLESTEROL

Found in animal fat, dairy products and eggs, it can clog arteries. This new listing should help you keep to less than 300 mg a day.

LOW, MEDIUM, HIGH

Consumer advocates welcome the handy adjectives—but characterizations but are waiting anxiously for the FDA to explain what it means by them.

VITAMINS AND MINERALS

Quit fretting about them. Adults usually get more than enough. The old label with its "recommended daily allowance" encouraged cereal-makers and others to pour on superfluous B vitamins to wow impressionable consumers. The four that remain here are the ones you're most likely to run short of.



NUTRITION INFORMATION PER SERVING

Serving size	4 oz. condensed 1 cup (226 g) as prepared
Servings per container	2 1/4
Calories	170
Calories from fat	30

AMOUNT	DAILY VALUE	
Fat	MEDIUM (3 g)	75 g or less*
Saturated fat	LOW (1 g)	25 g or less*
Cholesterol	LOW (5 mg)	300 mg or less
Sodium	HIGH (1,000 mg)	2,400 mg or less
Carbohydrate	LOW (27 g)	325 g or less*
Fiber	MEDIUM (3 g)	25 g
Protein	MEDIUM (9 g)	25 g

PERCENT OF DAILY VALUE

Vitamin A	LOW †
Vitamin C	LOW 2
Calcium	LOW 4
Iron	LOW 8

*As part of a 2,350-calorie diet
†Contains less than 2% of the daily value of this nutrient.

INGREDIENTS: (Listed in order of quantity)

bulges the waistline but the fat that lurks in most high-protein and lusciously rich foods. Health-conscious eaters who sought out high-quality protein and dietary fiber from the buns from their hamburgers, it turned out, were doing just about everything wrong. Americans typically get about 40% of their daily calories from fat, instead of the 30% recommended. The body is particularly efficient at turning excess saturated fat—the type found in meats and whole-milk dairy products—into the arteries' archenemy, cholesterol. This villainous substance should therefore account for no more than 10% of the daily caloric intake. For a healthy man who consumes 2,500 calories a day, that translates into about 28 g, or the equivalent of half a stick of butter.

Spaghetti lovers, take note. Carbohydrates, particularly the complex ones found in pasta, cereals and legumes, should make up at least 55% of the diet. Although the evidence is not as solid as the tie between excess fat and heart disease, scientists now believe that loading up on fiber-rich complex carbs (like whole-wheat bread or bran cereal) while cutting back on fat may reduce the risk of breast, colon and other cancers. In

addition, health-conscious citizens should keep their dietary cholesterol intake to less than 300 mg, the equivalent of a little more than one egg yolk a day, and their salt intake to less than 2,400 mg, or 1½ tsp.

Regulators have targeted three major areas of label abuse: deceptive definitions, hazy health claims and slippery serving sizes. Phase I of their program, already under way, covers fresh fruit, vegetables, seafood and other edibles that have never before been subject to nutritional labeling requirements. Grocers will not be asked to plaster ingredients labels on an apple or haddock; instead, they will post nutritional information at their produce bins and fish counters. In addition, the FDA is under congressional orders to standardize the requirements for such terms as juice and juice drink.

Scheduled for completion this fall, Phase II will focus on making labels mean exactly what they say. Among the worst culprits are products that claim to be 80%, 90% or even 99% fat free. Although technically correct, the labels are misleading be-

cause virtually all manufacturers base their calculations not on the composition of calories, but on weight, including water, which occurs naturally in most food. For example, Louis Rich Turkey Bologna accurately claims to be "82% fat free, 18% fat." It sounds perfect for people who are trying to keep their fat consumption below 30% a day. Yet each 60-calorie slice, which weighs 28 g (or 1 oz.), contains 5 g of fat. Since each gram of fat accounts for nine calories, 75%—not 18%—of the calories in a slice of Louis Rich Turkey Bologna come from fat.

It is hard enough to find time to go shopping without having to worry about taking along a personal computer, so the FDA is considering requiring labels that include the total number of calories as well as how many calories are derived from fat. Yet the proposed requirement could end up trading one kind of confusion for another. "We're a little concerned that the consumer won't know how to interpret this number," says Guy Johnson, nutrition director for Grand Metropolitan's food sector. "Let's say you have a product that has 30 calories from fat, which would mean roughly 3 g of fat. That would basically be a pretty low-fat product. How-

SERVING SIZE

Often manipulated to make desserts appear lower in calories or soups lower in salt. The FDA has come up with standard portions for 159 foods.

DAILY VALUE

Government gobbledegook for suggested daily dose. Used to be called U.S. Recommended Daily Allowance. It's based on a 2,350-calorie diet.

SODIUM

Salt can cause high blood pressure and should be limited to 2,400 mg a day. Some are more vulnerable than others; ask your doctor.

CARBOHYDRATES

Complex ones—beans, whole-grain breads and pastas—are far better than simple ones, like sugar. Alas, you can't tell which you're getting from this label.

FIBER

It's good for the digestive tract and may lower cholesterol. Aim for 30 g daily, but too much could impair vitamin and mineral absorption.

PROTEIN

We were raised to think it should be the center of every meal. Not so. You can cut back by a third to make room for more grains, fruits and veggies.

GAMES PACKAGERS PLAY

The pie contains artificial preservatives. "Natural" refers to the juice.



How much juice is in a juice drink? This one is perhaps one-third juice, two-thirds sugar water.



Extra protein makes this product 50% leaner than bacon, but it has the same amount of fat.



Just one calorie? Only if you drink half a can.



Although the label says cholesterol-free, these snacks are loaded with saturated fat, which elevates cholesterol levels.



Don't tell Fred and Barney, but their cereal has no fruit, just flavoring.



Health

ever, if people see the 30 and think of it as percent of calories from fat, they may needlessly avoid the food."

Under Kessler's direction, the FDA is modifying the order in which ingredients are listed on a label. Traditionally, components have been listed in descending order by weight. That enables manufacturers to play games with sweeteners, listing each type (corn syrup, sugar, honey, and so on) separately so they will appear in the lower part of the list. Kessler wants the sweeteners to be grouped together to enable a shopper to tell at a glance just how sweet those granola bars really are.

Phase III of the FDA plan, which begins next year, will provide standard definitions for such descriptive terms as high-fiber, low fat and light and certify health claims listed on product packages. This phase will also address the tricks associated with serving size. Until the federal agency jumped into the fray, private physicians and nutritionists had been fighting

ing a lonely rearguard action in this realm of supersizing slivers and oversize wedges. A manufacturer wishing to boost the nutrient value of a cereal, for example, simply bases the label on an oversize portion. If low calories are the object, the portion becomes minuscule. Take, for example, Entenmann's fat-free Chocolate Loaf Cake, which boasts a scant 70 calories per 1-oz. serving. No one with a sweet tooth would ever cut the cake this small, argues Dr. Brian Levy, who treats diabetics at New York University Medical Center. "It is physically almost impossible and emotionally unsatisfying to eat just 1 oz.," he says. Häagen-Dazs markets a frozen yogurt that is lower in calories than its ice cream. But to make the yogurt seem even less fattening, the label lists a smaller serving size: 3 oz. for a helping of yogurt, 4 oz. for ice cream.

Although business executives grumble about the costs of relabeling, many manufacturers are philosophical about the reform movement. "I don't think the whole industry would be going through these changes without pressure from consumers."

"It is not a fad. The thing we're all going to have to get used to is that the consumer has a right to know and wants to know what is in food." The producers' major concern: that the FDA's new rules be consistent and easy to implement. "Already we're hearing about a number of exemptions," says DeeAnn Campbell, a vice president with Del Monte Foods in San Francisco. "We just want to know clearly what does and does not have to be done."

As always, the real test will be whether consumers find the new labels truly helpful. The packagers will also have to win back the public's abused trust. If Americans can depend on the information on the new labels, then they will be able to take the first, least expensive step toward better health through a better diet. They will also be able to discover at last the true answer to that age-old question, What are we eating for dinner? —Reported by Marc Hequet/Minneapolis, Janice M. Horowitz/New York and Dick Thompson/Washington

The FDA's Next Target: Drugs

The report, aired on a local news program in Detroit this spring, trumpeted the success of the drug Xanax in treating panic attacks. Former Houston Oiler Earl Campbell appeared in the segment and poignantly described his battle with the psychiatric disorder. A useful little news spot? Actually, it was more of a commercial. Upjohn, which manufactures Xanax, produced the video segment, paid Campbell for his performance and sent the tape ready-made to TV stations around the U.S. as part of a campaign to peddle its product.

Traditionally, ads for prescription drugs were pitched only to doctors, primarily in medical journals. But as competition for market share intensifies, more drugmakers are doing as Upjohn did, crossing the once inviolable line and appealing directly to patients. This high-powered approach, combined with some questionable marketing practices, has provoked the ire of FDA chief David Kessler. "Promotional practices, to be blunt, have got out of hand," he recently told drug-industry lobbyists.

To underscore the pitfalls of direct-to-consumer advertising, Kessler points to an ad for Actigall, a medication for gallstones. The ad, which ran in newspapers and magazines around the U.S., suggests that the Ciba-Geigy product is a good alternative to surgery. Kessler objects because surgery is the preferred treatment in most cases. Though many people find the drug ads helpful, doctors share Kessler's concern. "The consumer can take a little bit of information and come to the exact opposite conclusion that he should," says the American Medical Association's Dr. M. Roy Schwarz.

Physicians are leery about another of Kessler's campaigns: restricting the promotion of drugs for purposes other than those explicitly approved by the FDA. Such "off-label" prescribing is surprisingly common in the U.S. About one-quarter of the 1.6 billion prescriptions written each year are for unapproved purposes. In the mid-1980s some drug-company salespeople began encouraging such uses, a practice Kessler views as dangerous.

In one regrettable example, drugs called calcium channel blockers were touted as a treatment for heart attacks, though they had been approved only for hypertension and angina. Later, researchers found that some heart-attack patients faced an increased death risk after taking the drug.

To counter promotional abuses, Kessler is doubling his advertising-enforcement staff and plans to release stricter drug-marketing guidelines by year's end. But doctors fear that a clampdown could actually impede the flow of medical information. Cancer specialists in particular rely on drug companies to help inform them about experimental uses of drugs. "The reality is that this is the way oncologists get educated," says Dr. Robert Young, director of the Fox Chase Cancer Center. "If you start denying that information to doctors, then people are going to die."

Clearly, the pharmaceutical industry is suffering from a bad case of hucksterism. But policing the complex world of drug promotion will be a tougher job for the FDA than wiping the FRESH label off a carton of orange juice. —By Andrew Purvis.

With reporting by Anne E. West/Washington



Pill promotion has got out of hand

Playing Politics with Our Food

While the Food and Drug Administration reforms labels, the Agriculture Department drags its feet, thanks to its cozy relations with the meat industry

By ANASTASIA TOUFEKIS

"A Tower of Babel" is what Health and Human Services Secretary Dr. Louis Sullivan calls the din surrounding U.S. food products. But if Americans are having trouble deciphering the language in food labels and advertising, just who or what is to blame? The food industry likes to point the finger at the Federal Government's regulatory swamp, while the government puts the onus on overzealous marketers. But in truth there is enough culpability for all. For years now, foodmakers and government regulators have been tangled up together in a web of sloppy practices and, above all, cozy politics. "Everything in nutrition is political," declares Marion Nestle, who chairs the department of nutrition at New York University.

Part of the grocery garble stems from America's hodgepodge system of food regulation. Three federal agencies have jurisdiction. The FDA oversees all items sold in supermarkets except for meat, poultry and any products that are more than 2% meat. These products are monitored instead by

the U.S. Department of Agriculture. Food advertising, meanwhile, falls within the bailiwick of the Federal Trade Commission. To see how muddled it gets, consider the case of frozen pizza. Cheese pizza and its packaging belongs to the FDA, while pepperoni pizza and its labeling rests with the USDA. The FTC approves ads for both. Contributing to the chaos: the agencies often don't use the same rules, standards or even definitions in regulating food.

The influence of politics on food policy is most clearly visible at the Agriculture Department. Written into its charter is a conflict of interest wider than a side of beef. Unlike its sister regulatory agencies, the USDA is obliged to promote as well as police agricultural products. Nutritionists are quick to point out that the department is responsible for regulating most of the fattier—unhealthier—elements of the diet. But its mandate to promote the consumption of beef, pork, dairy products and eggs gets in the way of its concerns for American health. "There's no David Kessler heading the USDA, and there never will be," says Bonnie Liebman, chief nutritionist at the Center for Science in the Public Interest.

Instead there is Agriculture Secretary Edward Madigan, a former Congressman from the Illinois farm belt, whose commitment to food producers was clear almost as soon as he took office last March.

The most glaring example of this bias involves a foiled attempt to revise the USDA's dietary guidelines. In 1988 the department introduced its "basic four" food-group chart, which divided food into four major categories: milk, meat, vegetables and fruits, and bread and cereals. The groups were quickly branded into the brain of every American schoolchild as of equal importance.

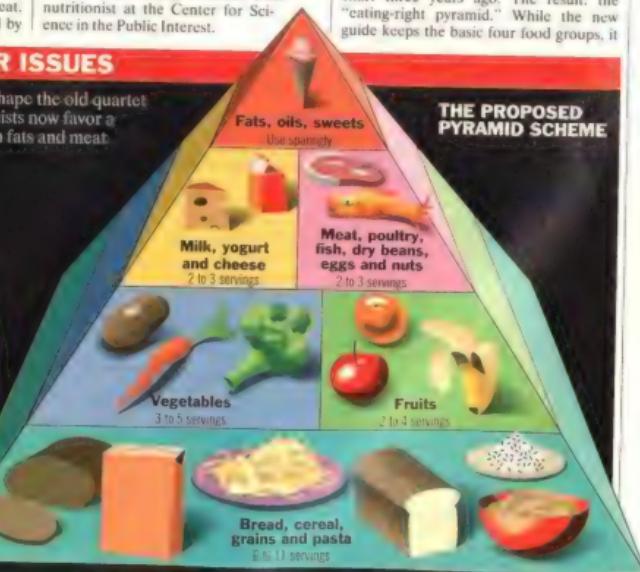
But as research into heart disease, cancer and nutrition proceeded over the past 35 years, the chart emerged as seriously misleading, more of a political construct than a guide to healthy eating. It overemphasizes meat and milk—a credit to the influence of those industries, whose lobbyists have been active and generous in Washington.

To better reflect current nutritional knowledge, the USDA began redrawing the chart three years ago. The result: the "eating-right pyramid." While the new guide keeps the basic four food groups, it

BREAD-AND-BUTTER ISSUES

Beef and dairy lobbies helped to shape the old quartet of basic food groups. But nutritionists now favor a pyramid that puts less emphasis on fats and meat.

1958: THE BASIC FOUR



dramatically shifts the dietary balance. Cereals and grains, fruits and vegetables are stressed by being placed in the broad lower area of the pyramid; meat and dairy products occupy a narrower upper portion; and fats and sweets are consigned to the "use sparingly" tip.

Unhappy with the new geometry, the meat and dairy industries began pressuring Secretary Madigan to prevent the pyramid from being publicly disseminated. One month after he took office, just as the pyramid was going to press, Madigan caved in. His rationale: the new chart needed more study, specifically concerning children and low-income Americans. Never mind that it had already undergone extensive consumer tests and review by 30 government and university experts.

Consumer activists cite other instances that expose the USDA as industry's captive. New York University's Nestle relates how the department pressed for changes in the language of the 1988 Surgeon General's Report on Nutrition and Health, which she helped write. "It was very clear to me that the report was not going to say 'eat less meat.'" In fact, when the report came out in 1989, it advised the public only to "choose lean meats."

The Department of Agriculture is also resisting some of the labeling reforms being pushed by the Food and Drug Administration. For instance, the FDA is insisting that manufacturers base their package labels and health claims on realistic-size servings, instead of impossibly small portions. But when it comes to some meat products, the USDA favors a serving size of just 1 oz., which would enable packagers to make low-fat claims. For the unwary shopper, the result could be that a can of USDA-regulated beef soup might falsely appear to have less fat than a can of FDA-regulated vegetable soup.

The Agriculture Department also prefers a looser definition of "low fat" than the one favored by the FDA. The tough FDA standard, charges Gary Wilson of the National Cattlemen's Association, would mean that "you won't have any meat items being able to meet the criteria." Such an impossible standard would destroy the incentive for the meat industry to produce reduced-fat beef and pork, says Wilson, and the USDA is inclined to agree. The American Heart Association plans to lobby Congress if the USDA regulations don't match the FDA's.

Beef-industry beefs aside, most food packagers have been surprisingly supportive



"OUCH! THE FDA SURE ISN'T PULLING ANY PUNCHES THESE DAYS!!"

of the Federal Government efforts to reform labeling. The reason is that the deregulation of the 1980s backfired. During that decade, when President Reagan endeavored to get government off the back of business, federal food watchdogs went off-duty. Since this was also an era of national obsession with health, the hottest-growing segments of the food market were "the light and lean, low fats, the healthy choice," says Grocery Manufacturers of America vice president Jeffrey Neidman. In that atmosphere of lax regulation and lite mentality, health claims proliferated like sprouts on a salad.

Industry and government grew cozier. A watershed occurred in 1984 when Kellogg's introduced a new marketing campaign for its All-Bran cereal. The company actually got the National Cancer Institute to agree to put a message on its package stating that diets high in fiber (and low in fat) may reduce one's risk of cancer. The FDA was horrified by this implied product endorsement. Under FDA rules, any product marketed with a claim that it prevents disease is subject to testing for safety and efficacy as a drug. "We wanted to go out and seize that product," says the FDA's Edward Scarbrough. But the agency was reined in by Reagan appointees. Sales of All Bran soared, and so did health claims for all foods.

Before long, food slogans were so out of hand that individual state regulators felt compelled to step in. Attorneys from nine states, including New York, California, Texas and Florida, formed a task force that became known as the "food police." They brought dozens of suits against manufacturers for misleading labels and ads, levied fines and seized goods. When California passed a law in 1986 requiring all consumer-product la-

bels to identify pesticides and cancer-causing ingredients, the food industry saw a threat to the fundamental principle of mass marketing. Looming before it was the nightmarish possibility that each state would develop its own labeling guidelines. In that case, an item like gummi bears might need 50 different labels.

Suddenly, the gospel of deregulation lost its allure, and the idea of uniform national standards came to be regarded as a form of salvation. "We want national guidelines that preclude any state attorney general from making issues out of things said on packaging," says Stuart Greenblatt, a spokesman for Keebler Co., an Elmhurst, Ill., cookie maker. "The food industry believes there ought to be one national rule," affirms Peter Barton Hutt, a former chief general counsel for the FDA who has advised the Grocery Manufacturers association.

Industry had hoped the Administration would straighten out the mess, but the Bush White House was slow to undo the Reagan revolution. Instead, Congress, prodded by a coalition of 25 consumer and medical organizations, came up with the 1990 Nutrition Labeling and Education Act. Faced with a clearly popular bill, the President felt compelled to go along.

The new law, enthusiastically embraced by David Kessler's FDA, will not necessarily answer every consumer's prayers. As USDA foot dragging proves, it will not be easy to achieve one universal set of regulations for all food. Some consumer groups argue that the only way to achieve that goal is to put the FDA in charge of regulating the entire grocery basket. Politically speaking, however, that's about as likely as a fat-free pork chop.

—Reported by Dick Thompson/
Washington, with other bureaus

The Man with the Plan

With endless energy, eagle-scout scruples and a head for headlines, David Kessler revives the battered FDA

By DICK THOMPSON WASHINGTON

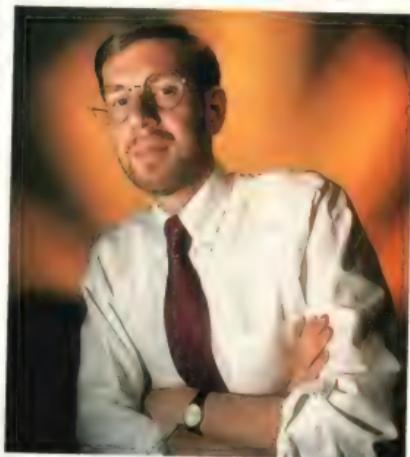
 The food and drug industry lawyers had heard it all before. Now, here was the freshly minted FDA commissioner, still wet behind the ears at 39, giving them the usual dose of tough talk. "Ladies and gentlemen," David Kessler began, "I am here today to tell you that I place a high priority on enforcing the law." The attorneys, convened in a Palm Beach hotel, nodded obligingly. "This is not the idle talk of a new commissioner," Kessler continued, to more polite nods. Then came the surprise. "Today the U.S. Attorney's office in Minneapolis is filing on FDA's behalf a seizure action against Procter & Gamble's Citrus Hill Fresh Choice orange juice," he said. "The use of the term 'fresh' is false and misleading, and it is confusing to consumers." The nodding stopped, the lawyers grew silent, and many began to wonder, "Who is this guy?"

The guy who stunned the food industry that April morning, and many times after, is almost certainly the most capable person ever put in charge of the Food and Drug Administration. It is not a post that most folks would relish. When Kessler was appointed last December, he faced an agency that for more than a decade had been bled of funds by the White House and burdened with new responsibilities by Congress. AIDS activists were picketing the front doors because of the FDA's sluggish pace in approving drugs. Five employees had been convicted of accepting bribes from the generic-drug industry. There were allegations that other staffers were selling insider information about drug approvals to stockbrokers. And a federal report had just concluded that the agency's outmoded labs and meager staff were incapable of ensuring the safety of foods or the efficacy of new drugs.

But to Kessler, inheriting this mess is the opportunity of a lifetime, one he's been rigorously training for since college. A Harvard-educated physician and a University of Chicago-trained lawyer, he defied geography and sleep deficits to achieve both degrees simultaneously. He studied management at New York University and politics as a Senate staffer. For nine years, he ran the hospital at the Albert Einstein

College of Medicine. When he was tapped for the FDA post, he was serving on a federal commission analyzing that very agency. "A lot of my background comes together here," he says. "I feel comfortable, enormously comfortable here."

Kessler always has a plan, and targeting a food-manufacturing giant such as Procter & Gamble was certainly part of one. Says Washington attorney and longtime friend Stuart Pape: "Going after large



Doctor, lawyer, lover of food: Kessler came prepared for the job

companies and being tough have been part of a well-considered strategy to increase the credibility and morale of the agency."

Inside the FDA Kessler has just as aggressive. He's cut the time frame for legal action against a violator from 50 to 25 days. He has also begun to streamline the organization, consolidating 23 department heads into five new positions. For these spots, Kessler has recruited from the private sector a number of high-powered management consultants and Washington attorneys. Most are in their early 40s, and some of them will be earning less at the FDA than they paid last year in taxes.

To old friends, Kessler's first target is wonderfully appropriate. The man has always had an obsession with food, and he has certainly never been a nuts-and-berries purist. "I was a fat kid," he says. In college, he was the only student in his dorm who brought an entire refrigerator from home,

He kept it stocked with sodas, bagels, cream cheese and cold cuts. At Amherst, he organized a pie-throwing party after negotiating a deal for 200 strawberry-rhubarb pies. In law school he trained on pizza, Chinese food and ice cream. He still has a passion for take-out, and he starts each day with a diet cola. Back in December, at 205 lbs., Kessler was concerned that he'd cut too large a figure for a top health officer. So with characteristic discipline, he decided to reduce his calorie intake (by skipping lunch) and start exercising (usually running at 1 a.m.). Now, after altering his suits twice, he's a bony 155. Says his wife Paulette, an attorney: "He just has incredible willpower, and he's very focused."

And yet those who know Kessler invariably comment on his more human side. Everyone has a Hallmark card story about him. It usually involves some very sick child and the extra effort Kessler went to in order to make life a little better. As a resident at Johns Hopkins, he arranged for a day at the ball park for a child dying of cancer. He is also a dedicated family man who makes time for baseball and bedtime stories with his two kids.

Kessler is one member of the '60s generation who never lost the naive conviction that an individual can change the world. Deceptive food labeling troubles him because it is dishonest and unfair. And, without warning, he can break into a mini-sermon about the FDA: "There are 8,000 wonderful people here. They came here because they wanted to protect and promote the public health, and my job is to let them do their job."

While both the White House and Congress are pleased by his performance so far, FDA watchers outside government are skeptical that he will succeed in reversing the fortunes of his agency. "You can deal with orange juice easily, but pretty soon you've got to get down and deal with the real inadequacies," says Charles Edwards, a former FDA commissioner who chaired the government panel that examined the agency's shortcomings. The food industry believes Kessler is pushing too far, too quickly. Consumer activists are waiting to see what he will do about a range of food-safety issues, such as fish inspection, food additives and pesticide residues. Drugmakers are still waiting for the FDA to break the logjam of new drug applications. Approval currently can take as long as three years, and there is a backlog of 271 drugs waiting for FDA action. But Kessler remains confident. "There's nothing that isn't manageable," he says. So far, he's done a good job of making that sound credible.

Bury My Heart at James Bay

The world's most extensive hydropower project has already disrupted rivers, wildlife and the traditions of Quebec's Indians. Is it really needed?

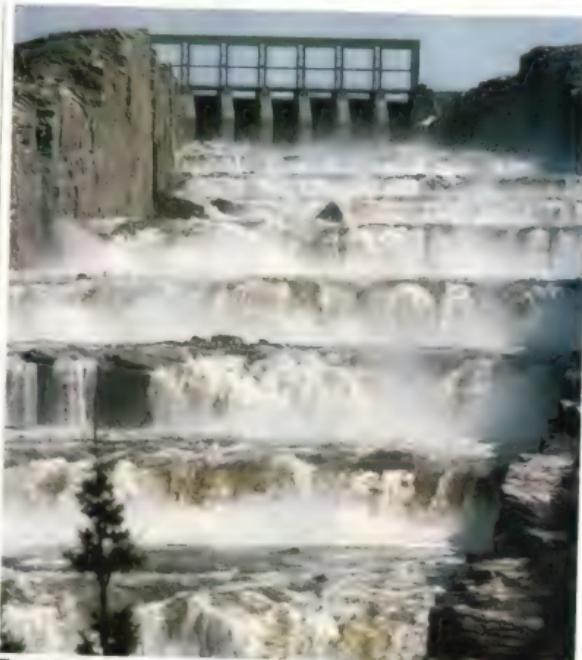
By EUGENE LINDEN CHISASIBI

The Cree village on the Canadian island of Fort George never had many full-time residents: most of the 1,000 inhabitants were subsistence hunters and trappers who would spend months in the bush. But today the place is a virtual ghost town. Following the construction of huge hydroelectric dams upstream, almost all the villagers were relocated because of fears that torrents of water would erode their island, which lies at a vulnerable spot where the La Grande River meets James Bay in Quebec province.

The Crees who moved to nearby Chisasibi now have electricity, running water and ties to the outside world, but they have lost their traditional way of life. Many ancestral hunting lands are underwater, and the natives can no longer eat local fish because of mercury contamination stemming from the creation of a reservoir upstream. Crammed together and often idle, they suffer from soaring rates of alcoholism, suicide, vandalism and family violence. About 30% of them have high levels of mercury in their bodies. "When we were on the island, we had less," says Larry House, a community leader, "but we were happy."

The tale of Fort George's Indians serves as a warning about what could happen to thousands of Crees, as well as Inuit, who live in the wild regions surrounding James Bay. The construction on the La Grande River is just one part of what is intended to be the world's largest hydroelectric network. Begun in 1971 and only about one-third finished, the James Bay power project could eventually include 215 dams and dikes, 23 power stations and 19 river diversions. If completed, the project would affect an area larger than Germany, disrupting the environment and destroying the tribal heritage of many of Quebec's Indians.

The Grand Council of the Crees of Quebec, backed by environmental groups, has sued Hydro-Québec, the government-owned utility, to block the next stage of the James Bay project, which would affect the Great Whale and Nastapoca rivers, in the northernmost regions of inhabited Quebec, and three rivers farther to the south. Though the Crees have unsuccessfully fought the project for two decades, they now have a reasonable chance of at



The overflow from five waterways pours into the spillway for a La Grande River dam

least stalling it when the courts rule on the case this summer. Growing environmental concern and worries about an uncertain economic climate have led some opinion leaders in Quebec to question the wisdom of spending as much as \$31 billion on more dams. What particularly outrages the Crees is that Quebec doesn't need all that power, some of which may be sold to New England and New York. The Indians face the possibility of losing their hunting grounds so that Americans can keep running their air-conditioners and hair dryers.

The James Bay project is the dream—some say obsession—of Quebec's Premier, Robert Bourassa, who seems to see every free-flowing drop of water in Que-

bec's big rivers as a wasted kilowatt. From the beginning, 20 years ago, Bourassa envisioned a power network that would ensure his province's economic independence and boost the fortunes of its French-speaking majority. At first, the only serious opponents were the Crees, who claimed aboriginal rights on the land. In 1973 the Indians lost a major battle: a Quebec appeals court decided that construction on the project was too far along to stop and that the needs of millions of the province's residents outweighed the concerns of a few thousand natives. In 1975 the Crees grudgingly ceded rights to lands affected by the power project in return for an agreement that gave them cash compensation (which will eventually total

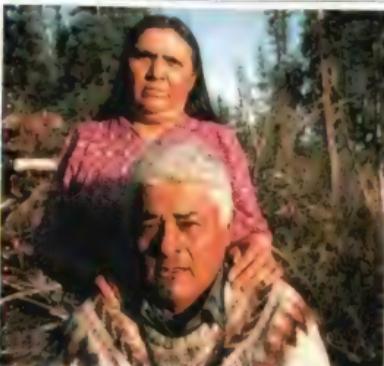


When their hunting grounds were flooded, the Crees faced a sudden plague of mercury contamination

more than \$300 million), exclusive hunting and fishing rights to 75,000 sq km (29,000 sq. mi.) of land and the right to have a say in future projects. The Crees now have a strong legal claim that this last part of the deal is being broken.

Because Hydro-Québec launched the project before completing any kind of environmental-impact assessment, problems such as mercury pollution came as a surprise. The mercury lay dormant in rocks until the dammed La Grande River began flooding forest land. When drowned trees began decomposing, bacteria transformed the mercury into a form that could enter the food chain. The problem should disappear when the trees have decomposed completely, but that process may take 20 to 50 years.

The Crees claim that by drying some rivers and inundating others, the hydroelectric project is affecting everything from the health of moose herds to the eelgrass beds that are vital to migratory birds. Says Ian Goodman, a Boston-based environmental



consultant who has advised the Crees: "It's like a giant science experiment to see what happens to an area as large as New England, New York and Pennsylvania combined."

Gaelan Guertin, who directs Hydro-Québec's environmental-impact studies, admits that the company started with very little knowledge but asserts that the utility has since spent tens of millions of dollars examining the affected ecosystems. Moreover, Guertin says, the hydro project has had positive effects on populations of beavers, ducks and such fish as walleye, pike and sturgeon.

The agreement that the Crees signed in 1975 may give the tribe the tools it needs to prevail in court. The utility is trying to separate road building from the parts of the project subject to environmental review, so that construction can begin this summer. As in 1973, it would become much more difficult for the Crees to halt work once it has begun. The Crees, however, are arguing that the \$1 billion

road-construction program, in the region of the Great Whale River, is an integral part of the project and that the 1975 agreement requires both Grand Council consent and environmental review before any work can go forward.

Delay would favor the Crees because the public is beginning to question who will be the real beneficiaries of additional power capacity. In January the Quebec government went to court to suppress the publication of unusual secret contracts that Hydro-Québec had signed to deliver power to 13 metals and chemicals companies. Some of the details leaked out anyway, revealing that the utility had offered cut-rate energy deals to these companies. Other industries and consumers in Quebec suspect that they will end up subsidizing the bargain contracts through rate increases.

Moreover, the promised economic bonanza for Quebec is far from certain. Potential power customers in the U.S. are vigorously pursuing conservation programs, and their need to purchase electricity may not grow as fast as once estimated. Whether or not more customers come forward, completing James Bay will weigh down the Quebec government with an additional \$60 billion in debt, more than twice its current debt load.

Whatever the Canadian courts decide, the Crees have raised legitimate questions about the logic and impact of a vast undertaking. Canada aggressively promotes its many natural wonders in the hope of luring tourists from abroad, but at home it often seems willing to sell that heritage for short-term profits.

Milestones

ENGAGED. Donald Trump, 45, overbearing casino developer, and Marla Maples, 27, his on-again, off-again girlfriend. Trump, who divorced his wife Ivana last December, made noises about dumping Maples last month but confirmed their nuptial plans last week in a phone call to *Live—Regis & Kathie Lee*, a TV show.

DIED. Michael Landon, 54, boyishly handsome actor, best known for playing Little Joe Cartwright in *Bonanza*, and writer, director and producer of television hits; after a three-month battle with pancreatic and liver cancer; in Malibu, Calif. In 1957 Landon starred in the cult film favorite *I Was a Teenage Werewolf*. His part in *Bonanza*, which aired from 1959 to 1973, made him a household name. Landon subsequently starred in and wrote many of the episodes

of *Little House on the Prairie*, solidifying a reputation for wholesome, if saccharine, family entertainment.

DIED. Lee Remick, 55, graceful, versatile actress of kidney and lung cancer; in Los Angeles. Remick's film debut, as a blond Southern baton twirler, came in 1957 with *A Face in the Crowd*. Remick won an Academy Award nomination for Best Actress for portraying a tormented alcoholic in 1962's *Days of Wine and Roses*. Her 1966 performance on Broadway in *Wait Until Dark*, as a blind woman terrorized by criminals who had invaded her home, resulted in a Tony nomination.

DIED. Howard Nemerov, 71, Pulitzer-prize-winning poet and former U.S. poet laureate; of cancer; in St. Louis. A World War II

combat pilot, Nemerov went on to write 30 books, including novels and short stories. In 1978 his *Collected Poems* won both a Pulitzer Prize and a National Book Award. Known as a very private man, he explained that "if you're a word slinger for a living, teaching and writing, when you get to be alone you like it to be quiet."

DIED. James Van Alen, 88, who changed tennis by inventing the tie breaker; after a fall from a terrace at his home; in Newport, R.I. In 1954 Van Alen founded the International Tennis Hall of Fame in Newport. Four years later, he devised the tie breaker as part of a comprehensive new scoring system to speed up the game. He based his rules, which feature a limited number of points in each game and set, on those for table tennis.

Testing, Testing, Testing

The Administration's proposals for a national exam system have drawn fire from all sides. They probably shouldn't.

By SAM ALLIS BOSTON

Americans quiz their kids more than anyone else in the world: 46 million students from kindergarten through high school are subjected to more than 150 million standardized tests each year. The results of that exercise seem dismal. Only 5% of U.S. high school seniors are deemed able to pursue higher mathematical study. By most measures, students in a variety of industrial countries continue to demonstrate that they know far more than their American peers about basics in history, science and reasoning. Who needs more tests?

That question is being asked by an increasing number of parents, school administrators and civil rights organizations in response to the Bush Administration's proposals for a national system of exams called the American Achievement Tests. FairTest, an organization based in Cambridge, Mass., has already written Congress asking legislators to withhold funding from the Bush program, arguing that it will not improve U.S. education and might damage it. "Politicians cannot simply mandate new tests and expect education to improve magically," says FairTest associate director Monty Neill. That opinion was echoed last week in Miami Beach, at the annual convention of the National Education Association.

Who is right? Under the Bush proposals, tests would be taken voluntarily by students across the country in the fourth, eighth and 12th grades, yielding uniform yardsticks of performance. What the exams would look like is unclear, although Education Department officials vow they would not resemble the multiple-choice exercises of the past. The achievement tests would document the knowledge of children in five core subjects: mathematics, science, English, history and geography. The White House has asked Congress for \$12.4 million—a pittance—to start work on developing both the exams and the standards that would go with them.



Los Angeles eighth-graders take an algebra test: a complicated web of standards

Proponents of national testing argue that the exams would provide a uniform means for parents to judge a school's performance and compare it with that of other schools in the neighborhood and across the nation. If unhappy with a particular school, parents could take their child to another—and could shop around for the best alternatives based on standardized data. Thus the exams could become a vehicle to implement the controversial "school choice" program that is one of the cornerstones of the Bush Administration's package of education reforms. They also become passports to be produced upon demand for college admissions officers and employers in later life.

In Britain, where performance-based tests are being integrated into the school system, students spend one-fifth of the school year preparing for and taking them, according to Walter Haney of the Center for the Study of Testing at Boston College. What's more, says Haney, these exams are at least 10 times as costly as U.S. exercises

like the College Boards, which are administered to roughly 1.5 million students annually. In Japan national tests have been used for at least six years, but only for junior high and high schools. (Tests for students in lower-middle schools were abandoned in 1953, when they were judged to have served their purpose as a means to measure postwar curriculum reform.) Some Japanese educators are worried that national tests lower student goals by steering them toward the universities they think they can get into, rather than where they really want to go.

The main argument against the tests in the U.S. is that there is no necessary link between such exercises and better education. "You cannot test intellectual habits," argues Theodore Sizer, an educational-reform thinker based in Providence, who heads the Coalition of Essential Schools. He feels it would be better to leave matters where they stand.

An even more sensitive issue is whether

WORRIES ABOUT NATIONAL EXAMS . . .

- There is no clear link between tests and a better education.
- There is a risk of bias against minority and women students.
- The exams would not take into account national diversity.
- There is too much testing already, and more would be expensive.

. . . AND ANSWERS ABOUT THEIR IMPORTANCE

- A way to measure advancement against national performance standards is a vital educational tool.
- Tests would allow parents to compare schools and thus facilitate a system of choice.
- There would be no single, straitjacket test, but a variety of evaluations.
- It is demeaning to argue that minorities should not be held to the same basic achievement standards as other students.

national tests will actively harm the prospects of minority students. "It is still an open question whether we can create a fair test," says Thomas Romberg, a University of Wisconsin mathematics professor who spent six years helping develop a set of widely praised national math standards. Beverly Cole, education director for the N.A.A.C.P., which is a member of FairTest, admits she is "paranoid" about the idea. "There's a knee-jerk response on the part of minorities against national testing because we've suffered the most from them in the past."

Critics of ethnic bias can point to such celebrated examples as the use of the word regatta on a College Board exam of a few years past—a term that had little to do with experience in the inner city. Educational Testing Service, which administers the College Boards, now reviews each exam question for such assumptions. However, the desire to meet minority concerns has also led to such skewing practices as "race norming," the comparison of test scores only within minority groups rather than across the board. That can lead to a subtle undermining of minority achievement. It is, indeed, demeaning and even racist to suggest that blacks cannot or should not be held to the same achievement standards as whites.

Education Department officials say they have never envisioned a single national test, but rather a varied package. According to Dr. Lauren Resnick of the University of Pittsburgh, who has done seminal work in this area, these might include oral projects, portfolios in which students display a body of work completed over time, open-ended questions to explore student thinking, writing samples and perhaps some multiple choice. These would be part of a complicated web of standards that would be calibrated first at the state level, then among states and regions and, finally, nationally. Just how this uniform grading would be accomplished, however, remains foggy.

Then there is the issue of cost. To develop and administer national tests may take a great deal of money—far more than the Bush Administration is requesting. The Administration is silent about who would pay for that, and how. The cost factor could mean brutal triage—spend scarce education dollars for proven winners like the Head Start Program or for an abstraction to measure achievement whose value might not be apparent for years.

Given the risks involved, national testing makes sense only if it is a solid learning tool supported by a national consensus. The need for improved achievement by U.S. students is undeniable; so is the need to avoid yet another expensive educational boondoggle. The Administration's proposals, prudently applied, seem well worth pursuing—so long as they, too, are tested at every stage.

With reporting by
Mick Brunton/London and Seiichi Kanise/Tokyo

Examining the Big Picture

How does this sound as an exam question? A fifth-grader in San Diego County decided to figure out how far a ball would travel if it rolled down a ramp at a steady 5 ft. per sec. for a year (assuming that friction on the shallow incline counteracted the acceleration of gravity.) His work page is a maze of multiplication, punctuated by arrows explaining things like "Here I found out how many seconds there are in a year." His final answer—29,863 miles and 1,108.8 yds.—accompanied by a proud statement: "I chose this paper because it's a problem I created and solved myself."

The child's exercise is an example of what is known as the portfolio approach to testing, which derives its name from the collection of work assembled by artists and architects to show off the true scope of their talent. In addition to taking formal exams, a portfolio student selects his or her best work during an entire year of study, and at term's end explains the choices. The portfolio approach places emphasis on overall accomplishment rather than ability to conquer a battery of tests. And students learn the virtues of improvement as they revise and embellish drafts of their work, as opposed to the cycle of cramming and forgetting that can accompany an exam regimen.

Portfolios have been used on a small scale for some time in pilot projects around the country—but over the past year, fourth- and eighth-graders in about one-third of Vermont's public elementary and middle schools began assembling portfolios in English and mathematics to be scored by their teachers. This year the remaining schools will participate. While students will continue to take tests to measure basic skills in subjects like mathematics and reading, the goals are to incorporate such



As a portfolio exercise, students at Shelburne Middle School explain a math problem

gauges gradually into the portfolios and, perhaps, do away with exams altogether.

In English classes, students assemble poems, plays and essays for their portfolios. They also submit to a 45-minute creative-writing session to determine how well they perform under pressure. Mathematics is a tougher challenge for all concerned. Thus far the attempts to build a portfolio include everything from exercises in factors and fractions to mind-stretching essays on the color of mathematics and the composition of letters to Albert Einstein. But, says Anna Rainey, an award-winning eighth-grade math teacher in the Shelburne Middle School near Burlington, "we still don't know what a math portfolio should be." The development of a uniform portfolio-scoring system is equally difficult. Vermont education authorities have set up seven week-long sessions this summer to help teachers calibrate their mathematics scoring.

Most Vermont teachers seem enthusiastic, if curious, about the new method. But some fear that basic skills will suffer if uniform testing of students is abolished. "That would definitely be a mistake in math," says Steven Jarrett, an eighth-grade math teacher in Craftsbury. "Algebra needs to be practiced continuously." Concedes Ross Brewer, director of the Vermont project: "There are no smart people to copy. We are literally making this thing up as we go along." —By Sam Allis/Burlington

Approaching Absolute Zero

Ad Reinhardt, gadfly and hater of bogus mysticism, reduced painting to the pure power of austerity

By ROBERT HUGHES

We are saturated in reproductions of works of art. Hence the more art books and magazines we thumb through, the less likely we are to see an original fresh, for the first time: reproduction precedes the work as the radar blip announces the incoming plane, removing its element of surprise. No well-known artist has ever been able to circumvent this; only obscure ones don't have the problem, and wish they did.

During the 1950s, the American Ad Reinhardt dissolved the problem by painting pictures so dark, so apparently monochrome, that they could not be mechanically reproduced—images that come out on a glossy page as trite-looking black squares. Reinhardt's series of "black" paintings, completed between 1954 and his death in 1967, are among the few works produced by an American that make sense only in themselves and are utterly meaningless in their clones. Collectively they are a superb vindication of art's right to be experienced at first hand. And they have not been seen together in the U.S. for 20 years. This fact alone makes this summer's Reinhardt retrospective at Manhattan's Museum of Modern Art, jointly organized with the Museum of Contemporary Art in Los Angeles (where it will be seen from October), an event.

Reinhardt was a great purist; he was also the chief gadfly and moralist of New York art in the time of its first big flowering, the '40s and '50s. Which does not imply that other artists in the New York School lacked probity; only that Reinhardt made such a fierce point of showing where he thought art could go wrong, become soft, betray its essence. He was a fine aphoristic preacher, irresistibly quotable, and a deadly parodist. He listed the technical skills of the modern American artist as "brushworking, panhandling, backscratching, palette-knifing, waxing, buncombing, texturing, wheeling, tooling, sponging . . . subliming, sphinxing, soft-soaping . . ."

He hated the bogus mysticism that clung to interpretations of American art in the '50s—the cult of the heroic personality, of expressive blood and guts, of the Artist as Fate-Defying Existentialist. "My painting represents the victory of the forces of light and peace over the powers of

darkness and evil," Picasso had pompously announced in 1957. Well, fine, wrote Reinhardt, but "my painting represents the victory of the forces of darkness and peace over the powers of light and evil." How he would have loathed the market-and-genius cultism of the '80s! He defined art—his own and others'—by negations. He took to an extreme the sphinx's riddle of early Modernism, the question that leads an artist along the edge of the drop where the aesthetic impulse no longer has a toehold in common experience: How much can I jettison before this painting, this sculpture, ceases to be painting or sculpture, before its essence is lost along with its attributes?

The desire to get art down to its ultimate

components and endow it with the communicative power of total austerity is very much a 20th century one. It begins with Mondrian's grids and Malevich's black square, sheds its mysticism in America and re-emerges as factual, what-you-see-is-what-you-get Minimalism. Reinhardt's work was part of this process: he cleared the way for Minimalism without being at all interested in its factuality.

Reinhardt was never a figurative painter; all his surviving work is abstract. Cubist-based at first with elements of collage. In the '40s it passed through a phase of "all-over" painting, then to loose, gridlike structures such as the lovely *Red, Green, Blue and Orange*, circa 1948, whose patches of blue and green seem to twinkle optically like the dispersed crosses that stand in for light on the sea in an early Mondrian. Eventually he settled on a symmetrical, predetermined array of blocks of one highly-saturated color: first red (in 1952), then blue (in 1953) and finally black. Compared with what was going on in other American studios, Reinhardt's red and blue paintings looked utterly impersonal—no freehand drawing, no textures, no "interesting" design, just the single, hieratic array, motionless and ineloquent. No American artist has ever put the claims of what he called "art-as-art"—from any trace of social or therapeutic agenda—more categorically than Reinhardt.

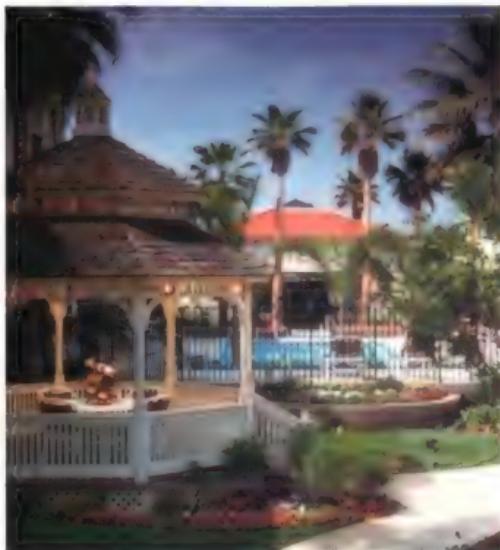
The summing up of this is in the "black" paintings, which can absorb any amount of staring although they look utterly empty when you first see them, the pictorial equivalent of absolute zero. As William Rubin says in the catalog preface, "The visitor who 'does' the Ad Reinhardt retrospective at three miles an hour will literally not see it." Gradually your eyes adjust, as in a dark room, and a form does appear: the simplest of shapes in the final square canvases, a cross that divides the surface into nine equal subsquares. Within the black there are the finest, barely perceptible shifts of color, a disappearing gleam of red or bronze, a nuance so faint and fugitive that you wonder whether you are imagining it.

Perception? Illusion? Trick of sensory deprivation? It is impossible to know, but to pursue this infinitesimal trace of light, to stabilize it and recall it, is the discipline the painting compels. It is the ghost of the luminosity of Reinhardt's early work, the breath of his conception of the Ideal. It is also deeply romantic. One is either repelled or fascinated by it: there is no middle ground. Reinhardt's reductions, one realizes, were not those of a minimalist.



Sphinx's riddle: Red, Green, Blue and Orange, circa 1948

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Dance

Carrying On the Legacy

Once Alvin Ailey's star dancer, Judith Jamison takes over his role at the head of New York's most vivacious company

By JANICE C. SIMPSON

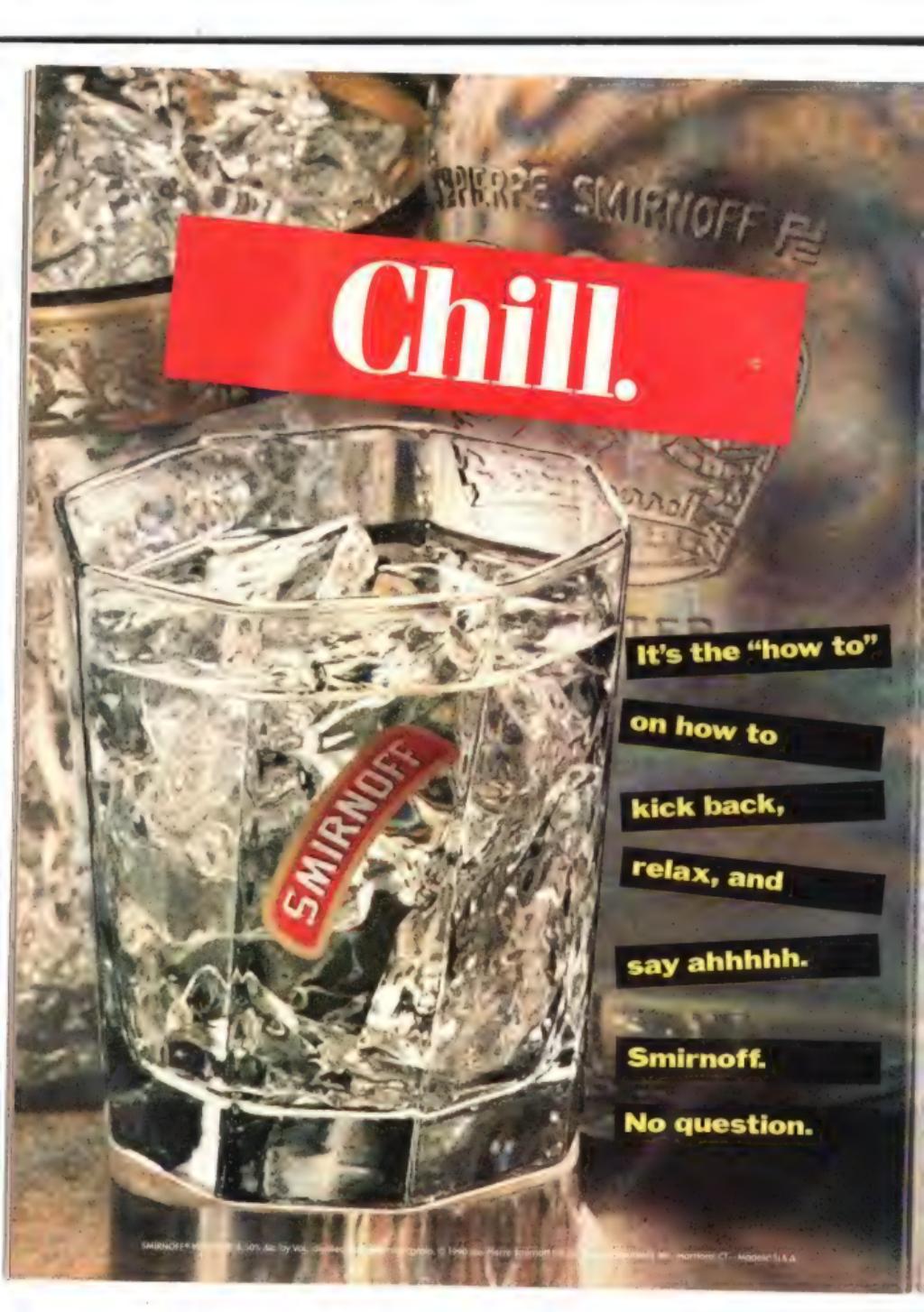
Few artistic relationships are closer than that between a choreographer and the dancer who embodies his or her inspiration. Such was the relationship between Alvin Ailey and Judith Jamison. Ailey, at the head of his own dance company, drew on gospel music, the blues and other legacies of the black experience to create works that helped open the world of dance to new audiences and new performers. Jamison was the majestic dancer who performed Ailey's creations with a poetry and

its usual sassy flair. Behind the scenes, Jamison has stabilized the Manhattan-based company's finances by finding it a second home in Baltimore, where it will maintain a residency for five weeks each year. In New York City throughout this month, she will oversee a dance camp for disadvantaged kids that continues Ailey's mission of taking dance to the masses.

Jamison's approach to running the troupe differs in some respects from Ailey's—he encouraged dancers to discover their own mistakes, she is more direct about what she wants; he shied away from fund raising and publicity, she embraces both—but their artistic goals are the same. "Her aesthetic is built on Alvin's," says Denise Jefferson, director of the company's dance school. "The transition was smooth because Judy was coming home."

Jamison and Ailey first met in 1965, when she stumbled over him while rushing off-stage after an unsuccessful audition for a television special. Although the famed choreographer Agnes de Mille had discovered her and given the young dancer her first professional role, in a piece created for the American Ballet Theater, Jamison found that her height (5 ft. 10 in.), dark coloring and close-cropped hair made it difficult to find other jobs in a world that prized petite, fair women with flowing tresses. Ailey, however, recognized her special talent and kindred spirit and invited her to join his company. Their partnership flourished, reaching its apogee in 1971, when Ailey created *Cry*, a solo dance tribute to black women that became Jamison's signature piece.

Nevertheless, Jamison was eager to stand on her own, and she left the Ailey troupe in 1980. But the mystical bond between them never weakened. So in 1988, when Ailey, ill with a rare blood disorder, invited Jamison to accompany him on what would be his last tour, she didn't hesitate. Between rehearsals, performances and travel, Ailey prepared her to carry on his legacy. She became artistic director of the Alvin Ailey American Dance Theater less than three weeks after his death in 1989.



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No question.

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People

By ALEXANDER B. TRESNIEWSKI/Reported by Wendy Cole



Golden Voice

It's happened to lawyers, doctors and other licensed professionals, but it had never happened to an opera star until last week. That's when a New York State appeals court ruled



that world-class mezzo-soprano **Frederica von Stade** must share with her ex-husband Peter Elkus any career income earned during their 17-year marriage. The ruling defined Von Stade's career and celebrity status as "marital property," entitling Elkus, the singer's voice coach and adviser during her rise to stardom, to a chunk of Von Stade's earnings.

Paradise Lost

He offered to throw her a party but she turned him down, so Prince Charles was out of town the day his wife turned 30 last week. A businesslike **Princess Diana** marked the occasion by hosting a charity lunch for a children's hospice and even asked that pop star Phil Collins, on hand for the event, not sing *Happy Birthday*; instead, Collins sang *Another Day in Paradise*. Will Charles stage a similar no-show for the couple's upcoming 10th wedding anniversary? If he does, he may need to regain his robust polo form to bolster his sagging image. Last week a poll showed that



Charles is no longer the most popular member of the royal family. He's now second, behind Diana.

Hip Hop

Could it be that **BO JACKSON**'s hip injury, which many predicted would end his baseball and football heroics, was really just a calculated career move? The advertising All-Star may simply have needed a new angle for his latest Nike commercial. Now Bo knows rehabilitation too. The splashy spot, debuting this week, shows a jaunty Jackson breaking out of a cheesy musical number and into a high-octane, multi-sport workout, suggesting that Bo will eventually make an odds-defying, legend-enlarging return to the playing fields. Bo, above all, knows bucks.



Blues Card

Unless you're a rapper, in a heavy-metal band or Madonna, you've got to sing your heart out to make a dent in today's pop charts. Fortunately, that's just what French sensation **Patricia Kaas** does in *Scène de Vie*, her first album to be released in the U.S. She was just an 18-year-old raspy-voiced torch singer when Gérard Depardieu discovered her in 1985; two big-selling albums later, Kaas, who sings only in French, is her country's reigning chanteuse—it's Edith Piaf for the 1990s. "I'm not really running after record sales," says Kaas. "If only a few people come to see me sing, that will be very good."



Men Who Lie About Nuns!

His stock-in-trade is sifting through sinful confessions, but **PHIL DONAHUE** was on the wrong side of a scandal last week. In a syndicated essay about his Catholic upbringing, the good-guy talk-show host made up phony names for the nuns he fondly recalled and included a copy of a faked missal inscription. Not exactly a mortal sin, but after a Catholic News Service reporter blew the whistle, enough to force Phil into the confessional. "I changed the names of the nuns to protect the innocent," he said. Donahue's heart was in the right place, though: proceeds from the essay will benefit elderly nuns.



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away the bacterial plaque before it can harden into ugly tartar. The results: Teeth that feel as clean as can be. And a smile that could only come from the world's leading toothpaste.

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Video

Advertising Spoken Here

At an international festival of television commercials, the hottest spots reveal a world of cultural differences

By MARGOT HORNBLOWER CANNES

Five weeks after its glamorous film festival, the French Riviera town of Cannes once again becomes the scene of a major international competition. Top filmmakers from around the world—from Argentina to Yugoslavia—offer their work. World-class directors like Ridley Scott and Spike Lee capture the moment. Performers from Madonna to Mickey Rourke play to collective fantasies. But this time there is one crucial difference: most of the movies flash by in 15 to 90 seconds.

This is the other Cannes festival—the 38th International Advertising Film Festival. Here some 4,500 art directors, copywriters and filmmakers gathered to assess nearly 4,000 of the world's top television commercials. Schmaltzy or sexy, slick or surreal, suspenseful or satirical, the hottest spots were awarded 80 gold, silver or bronze "Lions" by a 23-member international jury.

The U.S. always submits the most entries: 781 this year, followed by Britain with 387, Spain with 336 and Japan with 318. But it no longer wins the most awards. The recent explosion of commercial TV in Europe, Asia and Latin America has fostered a burst of freewheeling talent. This year's grand prize went to a stylish French com-

mercial (also aired in the U.S.) in which a lion and a tawny woman climb up opposite sides of a mountain, and at the peak the woman outruns the lion for a bottle of Perrier. Another winner was a spectacular English spot for Reebok sneakers in which a Mohawk steelworker sprints and leaps atop an Atlanta skyscraper. The ad is so scary that it was banned from British TV. Overall, Britain won the most Lions—20 compared with the U.S.'s 14. Australia and Spain tied for third place with nine awards each.

One U.S. entry met a shocking rebuff. It is a lump-in-the-throat spot about Mike Sewell, a youth born with Down's syndrome, who found a job and happiness at McDonald's. The crowd in the giant auditorium at Cannes greeted it with raucous boos and whistles. "This is the most vicious, cynical, jaded audience in the world," said Marcio Moreira, creative director of McCann-Erickson Worldwide. "They don't like to have their emotions manipulated."

The reaction was a reminder that advertising, no less than any other art, bares the psyche of a nation. "Schmaltz is an American idiom," said Moreira. "We're a people who cherish wearing our feelings on our sleeve." Along with wavy fields of grain and golden, hazy images of plump grandparents, another American penchant

is for the hard sell: buy because it tastes good, or because it works better.

By contrast, the British are embarrassed by the direct approach, preferring humor. "British ads are funnier because the British themselves are funnier," says Dutch adman Bart Kuiper. One cheeky British spot, titled *The Hopping Pecker*, shows a cartoon image of a male organ knocking at a red heart-shaped door and being refused entry until it cools a condom.

Humor is rarer in France, which goes for abstract, elegant and often surrealistic images (such as the Perrier-on-the-mount spot) with no direct message. In one French ad, a handsome man picks up a sultry woman on the road and drives her home through a thunderstorm as they exchange long glances. It turns out to be a spot for Renault—but it says little about the car. In contrast, German ads are mostly blunt: Buy Soviet-made Ladas, one East German distributor exhorts, because they cost no more than secondhand West German cars. Italy's gold winner is a frankly self-mocking spot with shots of fully dressed men adjusting their underwear in public. "We've cured Italian men of a bad habit," intones the announcer, leading into a pitch for Johnny Lambs boxer shorts.

As for Japanese ads, it seems only the Japanese understand them. One baffling spot features a man eating a parking ticket in front of a meter maid: I LOVE OSAKA, says the kicker. "The cultural gap is so great," commented Allen Rosenblum, chairman of BBDO Worldwide and presi-

ONE MEDIUM, MANY MESSAGES



U.S.: MAIDENFORM
UNLEASHED
A Maidenform spot contrasts today's lingerie with the shape of things past, a choice of freedom or bust



BRITAIN: HIGH STEPPING
A Mohawk steel-worker's leap of faith above Atlanta in his Reeboks was too dizzying for British TV, which banned it



FRANCE: PEPPER SPOT
Perrier took the grand prize with a primitive tableau in which the king of the beasts learns who is queen of the hill



AUSTRALIA: ANTISPEEDING
Controversy erupted over an insurance firm's dramatized car crashes; "Terrorist advertising," said one adman

dent of the Cannes jury, "that it is almost impossible for the West to appreciate Japanese commercials." But the Japanese clearly have cachet. One prizewinning Italian spot for oven paper has a Japanese delivering the sales pitch in his own language, without subtitles. For most viewers, his body language must suffice.

With the world's economy in a downturn, many industrial clients opted for safe, conventional pitches, leaving some of the most daring filmmaking for public-service spots. Torture, smoking, rain-forest destruction, homelessness and global warming are among the issues that prompted 209 such entries. A heart-stopping British ad against incest shows a little girl lining her stuffed animals against her bedroom door to prevent her father from entering. Most controversial was an Australian insurance company's antiseed campaign, showing violent car crashes with screaming victims and dying, bloody children. It won a gold Lion—and a chorus of angry whistles from the audience. "Terrorist advertising," charged French television producer Jérôme Bonaldi. But BBDO's Rosenshine defended the spots' "irrevocable impact," saying, "You're never going to forget them."

The prevailing serious mood was mirrored in the growing use of ecology as a selling tool. In an irreverent German spot for Mercedes-Benz, a man admires his gleaming sedan with its catalytic converter, then climbs onto a bicycle instead and rides away. "We can never really do enough for the environment," says the narrator. An offbeat British ad shows a Navajo trucker trying to send smoke signals from his exhaust pipe to friends across a canyon. It doesn't work because he has switched to Shell diesel fuel.

Even that old advertising standby, naked female flesh, was rare in this year's festival. True, one Norwegian ad shows a jolly couple making love. But then they pause, and the woman winds up her partner with a huge key. Declares the voice-over: "*Det Nye* is the magazine for girls who make their own decisions." In another feminist campaign, the latest Maidenform underwear spots from the U.S. invite viewers to contrast today's free-form lingerie with the historic oppression of women within boned and wire-framed corsets and bustles.

In Europe audiences flock to movie theaters early to watch the commercials and break into applause for the best ones. Americans are more casual, even disdainful about ads, but when they gather at their back fences or around office water coolers, they discuss them as avidly as they do the shows that surround them. The five-day Cannes festival celebrates the wit and imagination that prompt that interest. As New Zealander John Doig of the McCaffrey and McCall agency put it, "We come here to remind ourselves that ads don't just sell. They also make the little hairs stand up on the back of the neck." ■

Cinema

Into the Realm of Sigh-Fi

REGARDING HENRY Directed by Mike Nichols; Screenplay by Jeffrey Abrams

By RICHARD CORLISS

No body has a life anymore, Hollywood tells us, only an afterlife. By now you are familiar with all those transcendental rehab movies—*Ghost* and its spectrally sentimental cousins—in which people return from the void to get a chance to say (What else?) "I love you." Audiences lose themselves in a teary mixture of awe and awe at these wistful fantasies, which now constitute an entire genre: sigh-fi.

comes a new man and determines to right the wrongs he committed in his earlier life. He is like a reformed Scrooge on a very long Christmas Day. He will buy his daughter a puppy and even become that most improbable creature, an honest lawyer.

This is, recall, a fantasy, set in the old-fashioned movie *Manhattan* that is a beautiful place to be lost in. Nichols, as always, is terrific at suggesting worlds without words. The camera catches a glance from a pretty lawyer at Henry's firm, and we



A chance to do it right, from scratch: kindly daughter Allen nurses born-again dad Ford

Regarding Henry, Mike Nichols' effective, infuriating new weepie, works a cunning variation on the born-again theme. It eliminates the middleman, Death, by subjecting Henry Turner (Harrison Ford) to a gunshot wound that erases his memory. *Bang!*, you're a new man. The old one needed some revision. That Henry was a slick Manhattan lawyer who misused his gifts to ruin innocent men and save venal corporations. Instructed by his chic wife (Annette Bening) to apologize to their 11-year-old daughter (Mikki Allen), Henry instead scolds the dear girl in Latin. The guy barely deserves to live, until he gets a chance to do it right, from scratch.

After his injury, Henry must be taught everything over again, from how to walk to who he is. Ford, whose face assumes the agreeable befuddledness of Mortimer Snerd, plays Henry as an eager but slightly backward child. He returns to his posh Fifth Avenue apartment as if he had been consigned to a foster home. But because his teachers are kind and patient, he be-

comes in that instant that she has had an affair with the old, nasty Henry. But then the script insists that these epiphanies be spelled out in illuminated capital letters: and Nichols, a jaunty yachtsman of a director, must trawl through treacle. Strings swell at the merest emotion. And—lordy!—dog-reaction shots! By the end, when the pooch trots into a school chapel, you may want the animal to pee on a pew.

We bet that the picture will be a hit—not because it is so smart about many small things but because it is so shameless in promoting its one big thing. Like the other sigh-fi movies, *Regarding Henry* says any mortal catastrophe offers an opportunity to erase the chalkboard mess we have made of our lives. We can make amends and have great sex too. By serving up comfy antidotes to illness and death, these movies provide a seductively meretricious form of release: New Age religion on the cheap. How like Hollywood to insist that the slogging drama of most people's lives is mere fodder for a better, more glamorous sequel. ■



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At Green Mountain National Forest, thousands met for this year's Rainbow Gathering



The meeting's mantra? "Welcome home."

Over the Rainbow

Where peaceable wanderers gather to hug each other, wear feathers, dance all night and soothe the soul

By JOHN SKOW GRANVILLE

The big congo drums stopped rumbling at about 4:20 a.m. on July 4, with five or six hard hand cracks, then a great, cavernous quiet. A visitor, sweaty in a winter sleeping bag, half-woke in his tent, wadded what turned out to be a loaf of six-grain bread under his head as a pillow and eased back to sleep. As he did, the drums started again, more softly: *chunka-chunka-CHUNK-a-chunka*. They stopped for good an hour later, just before full light.

Welcome home, as the quirky, wistful wanderers who call themselves the Rainbow People say to each other every few minutes for reassurance: Where's home? This time it's in the high meadows in the Green Mountain National Forest, a couple of miles westward and upward from Granville, Vt. Up, down and around for half a mile or more in all directions, there are perhaps 14,000 Rainbows. For the 20th July in a row, mostly to the displeasure of

local and state authorities, the Rainbows have invited themselves to a different national forest, there peacefully to assemble. And peaceably to shake free of the plastic society, hug each other, wear feathers, wear safety pins through their eyelids (as a few metal-head teenagers do), dance all night, smoke pot (some of them), jiggle around nude (some of them), soak themselves with beer (a troublesome minority), rant or chant or quietly meditate.

Need a free meal, a joint, a spiritual jump-start? Here's the Looney Saloon, Anni's Turtle Tea Tree, the Jesus Camp, the Faerie Camp (from which, periodically, a conga line of guys in net stockings and bras erupts, followed by a very male little old lady in a granny dress, carrying a purse), the Contradiction Koffee Kitchen, the No Guns Tipi, the Positively Peaceful Anti-Natural Flatfood Forum (pancakes here), the Om Tea House and Pooh Corner (a latrine). Lovin' Ovens gives away bread, and Julie, Dianne and Danielle,



Shaking free of society and convention, participants danced, smoked, flopped, jiggled, ate, drank, chanted . . . and swam

from Quebec, help you choose a flower essence to improve your cellular vibrations.

The Krishna Camp feeds 3,000 people at a time from the best kitchen on the mountain. CALM, the Center for Alternative Living Medicine, soothes the wounded. Several middle-aged fellows from Massachusetts work for three days to get a rustic automatic dishwasher going: press a foot pedal, and out squirts warm water and bleach. For a tribe of peace-and-love anarchists with no structure and no leaders (their Council is anyone who shows up at the Main Circle), the Rainbows' disorganization is surprisingly effective.

Michael, from Wisconsin, who is about 40, has a subsistence job taking care of animals in a pet store. He guesses that 5% to 10% of the Rainbows are street people or rural itinerants. Some are "Dumpster divers," who scrounge for food behind restaurants and supermarkets. A larger number live middle-class lives, often with jobs in the social services. And the majority are people in their 20s who work but feel estranged from house-and-mortgage society.

Barbara, a single mother in her 30s who looks as if tiredness is a permanent condition, slogs up the four-mile trail from a roadhead at Texas Falls. She carries a big, scruffy backpack and a nursing baby. A couple of other kids skip ahead. She comes to Gatherings because "I can feel safe for a

few days." Safe from what? She doesn't say, and it doesn't seem necessary to ask.

Tim, from Burlington, Vt., works with the homeless there, and some of them have come with him. "For a week or so, with the Rainbows, they can be accepted," he says. "The rest of the time they're the scum of the earth." Too gloomy? Here's a joke tollbooth. A sun god (to judge from his gold headdress) is blocking the path with a stick. Have to tell a joke, omigod, let's see: "O.K." —phony Russian accent here—"Under communism, man oppresses man. Under capitalism, just the other way around." Laughter. We're on our way. Here's a citizen wearing a shirt and tie but no pants. Here's a blond, pretty Sittora, from Massachusetts, who gives a warm, nude hug and a suggestion: Take off your shoes and walk slower. Here's a leftover '60s flower child with a T shirt that says JUST SAY YES! And a still walker, and a man with a cobra.

A few miles away at the Rochester, Vt., junior high school, the massed forces of the Incident Command System eagerly await calamity. The ICS concept integrates local and state police and federal authorities to deal with disasters like the Yellowstone fires of 1988. No disaster has occurred here, but state police in great numbers, otherwise idle, are giving \$50, pay-on-the-spot traffic tickets, often

to enraged local residents not accustomed to seeing cops they don't know by first name. The Rainbows have kept their uproar within the family, have raided no chicken houses and have dealt themselves with one case of pilfering. In earlier years the Forest Service and state officials in North Carolina and Texas fought the Rainbows unsuccessfully in the courts. Now negotiation seems to work, and Y. Robert Iwamoto, Forest Service district ranger, says the Rainbows have lived up to their agreements, and probably can be counted on to clean up their trash and reseed trails.

Back at the Rainbow's Main Circle, below a long, lyric ridgeline between Mount Roosevelt and Mount Wilson, a 62-year-old Wampanoag spiritual leader named Medicine Story makes a visitor feel welcome. He was part of the first gathering at Granby, Colo., in 1972. "We try to live in harmony with the earth, without leaders," he says. He gestures, waving away some undeniable shabbiness in the scene, and says, "At its highest, the Rainbow vision is the highest I know on the planet."

Maybe yes, maybe no. But an unbeliever must testify that on a cloudy Fourth of July noon, when a parade of children marched to break a morning-long silent vigil at the Circle, the sun came out. And around it was a haze ring that looked a lot like a rainbow. ■



JOHN RUDOLPH FOR TIME

Essay
Michael Kinsley

A Grand Bargain For America Too?

Up at Harvard, economists from East and West have been concocting a so-called Grand Bargain between the Western nations, led by the U.S., and the Soviet Union. The details are still secret, but the basic idea is simple: Western aid to the prostrate Soviet economy in exchange for a commitment to radical political and economic change. The numbers being bandied about are \$20 billion or \$30 billion a year, three or four billion of that from the U.S., for five years. "The strategy," write Graham Allison and Robert Blackwill of Harvard's John F. Kennedy School of Government in the current *Foreign Affairs*, is "to create incentives for leaders . . . to choose a future consistent with our mutual best interest by promising real assistance for real reform."

Critics of aid to the Soviet Union ask, If reform is in the Soviets' best interest, as it surely is, why should they have to be bribed to do it? For an answer, the critics might look to the U.S. Listen to the New York Times lecturing Soviet leaders: "First, Moscow would have to balance its budget . . ." Wait a minute, this is beginning to sound familiar.

Every outsider looking at the U.S. economy writes the same prescription: cut the government deficit, increase the savings rate, end wasteful subsidies of coddled industries like agriculture, increase investment in infrastructure and education. Just last month the Bank for International Settlements—the central bank of the world's central banks—weighed in with precisely this advice. BIS noted that the U.S. net savings rate was 4% of GNP in the 1980s, compared with 20.9% in Japan. American public investment on roads, bridges, airports and so on is down to 0.25% of GNP, compared with 5.7% in Japan. And by no coincidence, our standard of living—as the popular culture is suddenly starting to realize—has been stagnating, by some measures, for two decades now.

America's economic problems are obviously far less extreme than the Soviet Union's. So are the steps needed to correct them. Yet America seems equally paralyzed. More so, in a way: the Soviet crisis is partly one of transition from a half-abandoned old system. The U.S. has no such excuse.

The problem, in both cases, is the same. Economic reform, though beneficial in the long run, requires sacrifice in the short run. Although the Soviet Union is not yet a democracy, its leaders must nevertheless fear the consequences of popular wrath. One school of thought holds that for this reason the best route to reform is based on the dictatorship model of Chile and Singapore: bring capitalism, and hope democracy will follow. But most skeptics about aid to the Soviet Union want democracy simultaneously or even as a precondition. The pious hope that democracy can ease and legitimate sacrifice for the national good is not exactly vindicated by current American experience.

Maybe the U.S., like the Soviet Union, needs a little push to do the right thing. But who will offer America a Grand Bargain? The candidate is obvious: Japan. As a matter of fact, the Japanese are already subsidizing the American economy to the tune of many billions of dollars a year. One measure is the U.S. current-account deficit with Japan: \$32.3 billion in 1990. That means, in essence, that the Japanese sold \$32 billion more of goods and services to Americans than Americans sold to the Japanese. The excess represents a loan to the American economy, which takes various concrete forms. For example, an estimated 20% to 40% of new U.S. Government bonds are now purchased by Japanese interests. (Opponents of U.S. aid to the Soviet Union complain that it would amount to passing money from Tokyo through Washington and Moscow on its way to Havana.)

Allison and Blackwill say Grand Bargain money sent to the Soviet Union should go for "general balance of payments support, project support for key items of infrastructure . . . and the maintenance of an adequate safety net." That's more or less what the Japanese money invested in U.S. Government bonds is already going for. It would not require instructions from the Kennedy School of Government at Harvard for the Japanese to say, "Look, if you want us to keep financing your economy, you've got to do x, y and z."

As it happens, Japan is already asking the U.S. to cut its government deficit, spend more on education and so on, in a trade negotiation known as the Structural Impediments Initiative. Leslie Gelb of the New York Times points out that these are "the very steps any American with half a brain knows we ought to be taking in our own self-interest." Trouble is, the Structural Impediments negotiations are halfhearted on both sides (America is asking that the Japanese do things like stop working on Saturdays). In a notorious 1989 book titled *The Japan That Can Say No*, a popular Japanese legislator named Shintaro Ishihara declared, "No other nation will pay attention to Japan if Japan cannot say 'no' to the United States." Well, here is Japan's chance. Just say no, for America's own good.

At present the Japanese subsidy of the U.S. economy creates no incentive at all for sensible reform. Quite the opposite: it permits America to luxuriate in its decadent ways and put off the necessary changes. Here, too, there is an echo of the debate over aid to the Soviet Union. Aid supporters say Western money is necessary to grease the wheels of change and ease the pain of transition. Skeptics argue that any financial support from the West would have the effect of shoring up the crumbling old system rather than helping build a new one. Pouring money into an unreformed economic system without demanding radical changes as a condition is what you would do if you actually wanted to see that economy slip farther and farther into the morass.

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